

RECORDATION NO. 10056 Filed 1425

JAN 26 1979 -3 25 PM

INTERSTATE COMMERCE COMMISSION
Interstate Commerce Commission
Washington, D.C.

No. 3-0001205
Date JAN 26 1979
Fee \$ 50.00

RECORDATION NO. 10056 Filed 1
JAN 26 1979 -3 25 P

Gentlemen:

ICC Washington, D. C. INTERSTATE COMMERCE COMMISSION

Enclosed for recordation under the provisions of Section 20c of the Interstate Commerce Act, as amended, are the original and two counterparts of a Security Agreement dated as of September 30, 1978.

The general description of the railroad equipment covered by the enclosed document is set forth in Schedule A attached to this letter and made a part hereof.

The names and addresses of the parties are:

Debtor: No. 7 Rail Car Leasing Company
P. O. Box 218
Chicago, Heights, Illinois 60411

Secured Party; Continental Illinois Bank and
Trust Company of Chicago, as
Trustee
231 South LaSalle Street
Chicago, Illinois 60693

The undersigned is the Debtor mentioned in the enclosed document and has knowledge of the matters set forth therein.

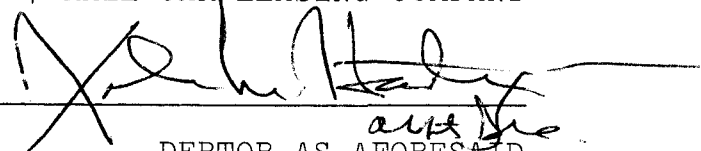
Please return the original of the Security Agreement to Gary Green, Esq., Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603.

Also enclosed is a check in the amount of \$50.00 covering the required recording fee.

Very truly yours,

NO. 7 RAIL CAR LEASING COMPANY

By


DEBTOR AS AFORESAID

Enclosures

FILED
JAN 26 1979
CLERK OF COURT
U.S. DISTRICT COURT
N.D. ILL.

SCHEDULE A
(EQUIPMENT LEASE DATED AS OF SEPTEMBER 30, 1978)

DESCRIPTION OF ITEMS OF EQUIPMENT

MANUFACTURER:	Thrall Car Manufacturing Company
PLANT OF MANUFACTURER:	Chicago Heights, Illinois
DESCRIPTION OF EQUIPMENT:	110 Four Thousand Cubic Foot 100-Ton Capacity Unit Train Gondola Cars
SPECIFICATIONS:	GN-100-46-203
CAR NUMBERS:	NORX992 through NORX1031, both inclusive
APPROXIMATE LESSOR'S COST PER ITEM OF EQUIPMENT:	\$ 35,000
DELIVER TO:	Northern Indiana Public Service Company
PLACE OF DELIVERY:	Gary, Indiana
ESTIMATED DELIVERY DATE:	March, 1979
OUTSIDE DELIVERY DATE:	March 31, 1979
FIXED RENTAL PAYMENTS:	An amount per month equal to 0.82264% of the Lessor's Cost of each Item of Equipment

Interstate Commerce Commission

Washington, D.C. 20423

1/29/79

OFFICE OF THE SECRETARY

**Gary Green, Esq.
Chapman & Cutler
111 West Monroe Street
Chicago, Illinois 60603**

Dear **Sir:**

The enclosed document(s) was recorded pursuant to the provisions of Section 20(c) of the Interstate Commerce Act, 49 U.S.C. 20(c), on **1/26/79** at **3:25pm** , and assigned recordation number(s) **10056 & 10057**

Sincerely yours,

**H.G. Homme, Jr.,
Secretary**

Enclosure(s)

**SE-30-T
(2/78)**

Interstate Commerce Commission
Washington, D.C. 20423

1/29/79

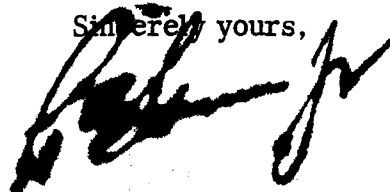
OFFICE OF THE SECRETARY

Gary Green, Esq.
Chapman & Cutler
111 West Monroe Street
Chicago, Illinois 60603

Dear Sir:

The enclosed document(s) was recorded pursuant to the
provisions of Section 20(c) of the Interstate Commerce Act,
49 U.S.C. 20(c), on 1/26/79 at 3:25pm ,
and assigned recordation number(s) 10056 & 10057

Sincerely yours,



H.G. Homme, Jr.,
Secretary

Enclosure(s)

SE-30-T
(2/78)

RECORDATION NO. 10056 Filed 1425

JAN 26 1979-3 25 PM

INTERSTATE COMMERCE COMMISSION

JAN 26 3 18 PM '79

I.C.C.
FEE OPERATION BR.

RECORD NO. 10057 Filed 1425

JAN 26 1979-3 25 PM

INTERSTATE COMMERCE COMMISSION

INTERSTATE COMMERCE COMMISSION

No. _____

(Date)

(Fee Receipt)

9-026A205

No.

Date JAN 26 1979

Fee \$ 400.00

ICC Washington, D. C.

B. J. Lutz
(Signature)

The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid and in no way indicates acknowledgement that the fee paid is correct. The fee is accepted subject to review of the document which has been assigned the transaction number corresponding to the one stamped on this receipt. In event of error or question of any kind concerning this fee, you will receive a notification after the Commission has had an opportunity to examine your document.

THEODORE S. CHAPMAN (1877-1943)
HENRY E. CUTLER (1879-1959)

LAW OFFICES OF

CHAPMAN AND CUTLER

111 WEST MONROE STREET • CHICAGO 60603
AREA 312 726-6130 TWX 910-221-2103

R-363391

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PAUL W. CUTLER
FREDERICK O. DICUS
ROBERT S. BURROWS
LYMAN L. MITCHELL
PETER V. FAZIO
JOHN N. VANDER VRIES
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AMORY CUMMINGS
MICHAEL J. FEEHAN
BARBRA GOERING
SUSAN E. ROLLINS
DANIEL P. COONEY

February 2, 1979

Office of the Secretary of
the Interstate Commerce Commission
Washington, D.C. 20423

Gentlemen:

Please find enclosed a copy of the document recordation letter dated January 29, 1979 and a Security Agreement-Trust Deed and an Equipment Lease having recordation numbers 10056 and 10057, respectively.


The documents referred to above are executed counterparts to the documents already in your files and should be attached to the filed Security Agreement-Trust Deed and Equipment Lease in order to have copies signed by both parties to said agreements.

Thank you for your attention to this matter.

Very truly yours,

CHAPMAN AND CUTLER

By


Gary L. Green

GLG:bar
Enclosure

10050

RECORDATION NO. Filed 1425

JAN 26 1979 - 3 25 PM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT-TRUST DEED

Dated as of September 30, 1978

FROM

NO. 7 RAIL CAR LEASING COMPANY

Debtor

CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO,
as Trustee

Secured Party

Relating to

\$3,200,000 9-5/8% Secured Notes
Due 1979-1994

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SCHEDULE A - Description of Equipment
 EXHIBIT 1 - Form of 9-5/8% Secured Notes
 EXHIBIT 2 - Form of Lease

SECURITY AGREEMENT-TRUST DEED ("Security Agreement") dated as of September 30, 1978 from NO. 7 RAIL CAR LEASING COMPANY, an Illinois corporation, having a Post Office address at P. O. Box 218, Chicago Heights, Illinois 60411 (the "Debtor"), to CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, a national banking association, having a Post Office address at 231 South LaSalle Street, Chicago, Illinois 60693, as Trustee (the "Security Trustee").

RECITALS:

A. The defined terms used in this Security Agreement shall have the respective meanings indicated in Section 8.01 unless elsewhere defined or the context shall otherwise require.

B. The Debtor and the Lender have entered into a Loan Agreement dated as of September 30, 1978 (the "Loan Agreement") providing for the commitment of the Lender to make a loan to the Debtor on a date during the month of December, 1978 designated by the Debtor by not less than five business days' prior written notice (the "Deposit Date") not exceeding \$3,200,000 in aggregate principal amount to be evidenced by the 9-5/8% Secured Notes (the "Notes") of the Debtor described in Section 1 hereof.

C. All of the requirements of law have been fully complied with and all other acts and things necessary to make this Security Agreement a valid, binding and legal instrument for the security of the Notes have been done and performed.

NOW, THEREFORE, the Debtor in consideration of the premises and of the sum of Ten Dollars received by the Debtor from the Security Trustee and other good and valuable consideration, receipt whereof is hereby acknowledged, and in order to secure the payment of the principal of and interest on the Notes according to their tenor and effect, and to secure the payment of all other Indebtedness Hereby Secured and the performance and observance of all covenants and conditions in the Notes and in this Security Agreement and in the Loan Agreement contained, does hereby convey, warrant, mortgage, assign, pledge and grant to the Security Trustee, its successors in trust and assigns, a security interest in all and singular of the Debtor's right, title and interest in, all and singular, the following described properties, rights, interests and privileges (hereinafter collectively referred to as the "Collateral"):

DIVISION I

The Items of Equipment described in Schedule A attached hereto and made a part hereof, together with all accessories, equipment, parts and appurtenances whether now owned or hereafter acquired, and all substitutions, renewals or replacements of and additions, improvements, accessions and accumulations to any and all of said Items of Equipment, together with all the rents, issues, income, profits and avails therefrom.

DIVISION II

All right, title, interest, claims and demands of the Debtor, as lessor otherwise, in, under and to the Lease and all Rentals due and to become due thereunder, including any and all extensions or renewals thereof insofar as the same cover or relate to the Equipment; it being the intent and purpose hereof that the assignment and transfer to the Security Trustee of said Rentals due and to become due under the Lease shall be effective and operative immediately and shall continue in full force and effect and the Security Trustee shall have the right to collect and receive said Rentals for application in accordance with the provisions of Section 4 hereof at all times during the period from and after the date of this Security Agreement until the Indebtedness Hereby Secured has been fully paid and discharged.

DIVISION III

All property of any kind that may hereafter be conveyed by the Debtor, or by anyone on its behalf and with its consent, to the Security Trustee as Trustee hereunder including, without limitation, the Escrowed Funds referred to in Section 6.05 hereof, the Security Trustee being hereby authorized to receive any property so conveyed and to hold it as additional security hereunder, subject to all provisions hereof not inconsistent with the terms of such conveyance.

The Security Trustee, its successors in trust and assigns shall have and hold the Collateral forever; IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth, for the equal and proportionate benefit, security and protection of all present and future holders of the Notes outstanding under the Loan Agreement from and after the issuance of the Notes, without preference, priority or distinction of any Note over any other Note by reason of priority at the time of issue, sale, negotiation, date of maturity thereof or otherwise or any cause

whatsoever; provided, always, however, that such security interest is granted upon the express condition that if the Debtor shall pay or cause to be paid all the Indebtedness Hereby Secured and shall observe, keep and perform all the terms and conditions, covenants and agreements herein and in the Loan Agreements and the Notes contained, then these presents and the estate hereby granted and conveyed shall cease and this Security Agreement shall become null and void; otherwise to remain in full force and effect.

SECTION 1. THE NOTES: REGISTRATION: TRANSFERS. ETC.

1.01. The Notes.

The Notes shall be limited to \$3,200,000 in aggregate principal amount, shall be dated the date of issue, shall bear interest at the rate of 9-5/8% per annum prior to maturity (computed on the basis of a 360-day year of twelve 30-day months), shall be expressed to mature in one installment of interest only at a rate equal to 9-5/8% per annum for the period from and including the Deposit Date to, but not including, the Delivery and Closing Date, payable on the Delivery and Closing Date, followed by 179 equal consecutive installments of principal and interest payable monthly on the same day of each and every month following the Delivery and Closing Date with a final installment payable 15 years following the Delivery and Closing Date, if not sooner paid, in an amount equal to the entire balance of principal and interest remaining unpaid as of said date (each such payment date being hereinafter referred to as a "Payment Date"), and shall be otherwise substantially in the form attached hereto as Exhibit 1.

1.02. Application of Payments.

All monthly installment payments required to be made on the Notes shall be first applied to the payment of interest on the principal amount from time to time outstanding on the Notes and the remainder to the reduction of the principal balance thereof. Any prepayment of principal on the Notes shall be applied to the reduction of principal then remaining unpaid, but any such additional payment shall not relieve or discharge the Company from liability for making the payment on the next succeeding Payment Date or Payment Dates thereafter as herein provided, nor reduce the amount of such installment except as hereinafter provided in Section 4.02(c) hereof.

1.03. Registration, Transfer and Exchange of Notes.

(a) The Debtor shall cause to be kept at the corporate trust office of the Security Trustee a register for the registration and registration of the transfer of the Notes (the "Register") and, upon presentation at such office for such purpose, the Debtor will, under such reasonable regulations as it may prescribe, cause to be registered or transferred thereon Notes as herein provided. The Debtor hereby appoints the Security Trustee its Note Registrar to register Notes and to register the transfer of Notes as herein provided.

(b) Whenever any Note shall be surrendered for transfer at the corporate trust office of the Security Trustee, together with a written instrument of transfer, in form approved by the Security Trustee, duly executed by the registered owner, or by his attorney authorized in writing, the Debtor shall execute, and the Security Trustee shall authenticate and deliver in exchange therefor, a new Note or Notes of the same maturity for the same aggregate unpaid principal amount. All Notes so surrendered shall be promptly cancelled by the Security Trustee.

(c) The holder of any Note outstanding hereunder may surrender the same to be exchanged for Notes of different denominations. Upon cancellation of the surrendered Note, the Debtor shall execute and the Security Trustee shall register, authenticate and deliver in exchange therefor a like aggregate original principal amount of Notes of the same maturity date in the denomination of Fifty Thousand Dollars (\$50,000) each or any multiple thereof except that any principal amount of such surrendered Note in excess of a multiple of Fifty Thousand Dollars (\$50,000) shall be evidenced by a Note in principal amount equal to such excess, provided, however, any Notes so delivered in exchange may be in any denominations approved by the Debtor.

1.04. Payment of the Notes.

(a) The principal of, premium, if any, and interest on the Notes shall be payable at the principal corporate trust office of the Security Trustee, in lawful money of the United States of America. Payment of principal and interest on the Notes shall be made only upon presentation of such Notes to the Security Trustee for notation thereon of the amount of such payment.

(b) Notwithstanding the foregoing provisions of paragraph (a) of this Section 1.04, if any Note is registered in the name of the Lender or a nominee thereof, or registered in the name of any subsequent holder named in a written notice from the Debtor to the Security Trustee and stating that the provisions of this paragraph shall apply, the Security Trustee shall make payment of interest on such Notes and shall make payments or prepayments (except in the case of a payment or prepayment which will discharge all indebtedness of the Debtor evidenced by such Note) of the principal thereof, and any premium, by check, duly mailed, by first-class mail, postage prepaid, or delivered to such holder at its address appearing on the register referred to in Section 1.03(a) hereof and such holder (or the person for whom such holder is a nominee) will, before selling, transferring or otherwise disposing of such Note, present such Note to the Security Trustee for transfer as provided in Section 1.03 hereof. All payments so made shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sums so paid. The Security Trustee is authorized to act in accordance with the foregoing provisions and shall not be liable or responsible to any such holder or to the Debtor or to any other Person for any act or omission on the part of the Debtor or such holder in connection therewith.

(c) So long as any Note is registered in the name of the Lender or a nominee thereof, the Security Trustee will, upon written notice from the Lender or its nominee given not less than 20 days prior to the payment or prepayment of the Notes, cause all subsequent payments and prepayments of the principal of, and interest and premium, if any, on the Notes registered in the name of such Lender or its nominee to be made to any bank in the continental United States as shall be specified in such notice by wire transfer to such bank in immediately available Federal Reserve funds on each such date such payment or prepayment is due; provided, however, that the Security Trustee will (unless and until the Security Trustee has received other instructions from the Lender by notice given in accordance with this Section) without the notice required by this paragraph (c) make all such payments or prepayments of the principal of, and interest and premium, if any, on the Notes registered in the name of the Lender or a nominee thereof by wire transfer in the manner aforesaid to the bank account designated for the Lender on page 1 of the Loan Agreement, marked for attention as indicated.

1.05. Persons Deemed Owners.

The Debtor and the Security Trustee may treat the Person in whose name any Note shall be registered upon the books of the Security Trustee as the absolute owner of such Note for the purpose of receiving payment of or on account of the principal of and interest on such Note and for all other purposes, whether or not such Note shall be overdue; and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sum or sums so paid, and neither the Debtor nor the Security Trustee shall be affected by any notice to the contrary.

1.06. Charges or Exchanges.

Any exchange or transfer of Notes shall be made at the Debtor's own expense.

1.07. Execution, Authentication and Delivery of Notes.

(a) The Notes shall be executed on behalf of the Debtor by its President or a Vice President, under its corporate seal attested by its Secretary or an Assistant Secretary, or by such other form of execution as may be prescribed by a resolution of its Board of Directors.

(b) The Notes when executed shall be delivered to the Security Trustee for authentication; and the Security Trustee shall authenticate and deliver said Notes as in this Security Agreement provided and not otherwise. Only such Notes as shall bear thereon a certificate of authentication substantially in the form and text set forth in Exhibit 1 attached hereto, executed by the Security Trustee, shall be secured by this Security Agreement or be entitled to any lien, right or benefit hereunder; and such authentication by the Security Trustee upon any Note shall be conclusive evidence that such Note has been duly authenticated and delivered hereunder.

1.08. Mutilated, Lost, Stolen and Destroyed Notes.

(a) A mutilated Note may be surrendered to the Debtor or the Security Trustee and thereupon the Debtor shall execute and the Security Trustee shall register, authenticate and deliver in exchange therefor a new Note of like tenor and principal amount. The Security Trustee shall cancel the mutilated Note.

(b) If there be delivered to the Debtor and to the Security Trustee such security or indemnity as may be required to save each of them harmless, then in the absence of notice to the Debtor or the Security Trustee that such Note has been acquired by a bona fide purchaser, the Debtor shall execute and upon its request, the Security Trustee shall register, authenticate and deliver in lieu of any such destroyed, lost or stolen Note, a new Note of like tenor and principal amount. If the holder of any such lost, stolen or destroyed Note is an institutional investor, then such holder's own agreement of indemnity shall be deemed to be satisfactory.

(c) If any such mutilated, lost, stolen or destroyed Note shall have matured or will mature not more than 10 days thereafter, instead of issuing a substitute Note, the Debtor, with the consent of the Security Trustee, may pay the same. Any new Note issued under this Section in lieu of any Note alleged to have been lost, stolen or destroyed shall constitute an additional original contractual obligation of the Debtor whether or not the Note alleged to have been lost, stolen or destroyed shall be at any time enforceable by anyone; and such new Note shall be entitled to the lien, security and benefits of this Security Agreement equally and ratably with all other Notes hereby secured. The Debtor and the Security Trustee, in their discretion, may place upon any such new Note a legend, but such legend shall in nowise affect the validity of such Note. The Debtor may at its option require the payment of a sum sufficient to reimburse it for any stamp tax or other governmental charge in connection with the issuance of any such new Note.

(d) Any Note in lieu of which another Note has been authenticated and delivered as permitted in Section 1.08(b) shall not be treated as an indebtedness for any purpose hereunder and the Debtor shall not be required to pay or provide for payment of same unless prior to satisfaction and discharge of this Security Agreement, such Note has been presented to the Security Trustee with a claim of ownership and enforceability by the person possessing such Note and the enforceability of such Note, if contested by the Debtor, has been determined in favor of such person by a court of competent jurisdiction.

1.09. Cancellation.

All Notes when fully paid as to principal and interest shall be surrendered to the Security Trustee and promptly cancelled, and a certificate of such cancellation shall be delivered to the Debtor. No Notes shall be authenticated in lieu of cancelled Notes or in exchange therefor except as permitted by this Security Agreement.

SECTION 2. COVENANTS AND WARRANTIES OF THE DEBTOR.

The Debtor covenants, warrants and agrees as follows:

2.01. Debtor's Duties.

The Debtor covenants and agrees well and truly to perform, abide by and to be governed and restricted by each and all of the terms, provisions, restrictions, covenants and agreements set forth in the Loan Agreement, and in each and every supplement thereto or amendment thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns, to the same extent as though each and all of said terms, provisions, restrictions, covenants and agreements were fully set out herein and as though any amendment or supplement to the Loan Agreement were fully set out in an amendment or supplement to this Security Agreement.

2.02. Warranty of Title.

The Debtor owns and is possessed of the Equipment free of all Liens other than Permitted Encumbrances, and owns and is possessed of the Collateral other than the Equipment free of all Liens, and has full power and lawful authority to grant a security interest in, assign, transfer, deliver and pledge the Collateral. As long as any Notes are outstanding hereunder, the Debtor will not subject the Collateral to any Lien. The Debtor hereby does and will forever warrant and defend the title to the Collateral against the claims and demands of all persons whomsoever.

2.03. Further Assurances.

The Debtor will, at its own expense, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired. Without limiting the foregoing but in furtherance of the security interest herein granted in the Rentals under the Lease, the Debtor covenants and agrees that it will notify the Lessee of this Security Agreement as provided in Section 16 of the Lease and will direct the Lessee to make all payments of Rentals under the Lease directly to the Security Trustee or as the Security Trustee may direct.

2.04. After-acquired Property.

Any and all property described or referred to in the granting clauses hereof which is hereafter acquired shall ipso facto, and without any further conveyance, assignment or act on the part of the Debtor or the Security Trustee, become and be subject to the security interest herein granted as fully and completely as though specifically described herein, but nothing in this Section 2.04 contained shall be deemed to modify or change the obligation of the Debtor under Section 2.03 hereof.

2.05. Recordation and Filing.

The Debtor will cause this Security Agreement and all supplements hereto, the Lease and all supplements thereto, and all financing and continuation statements and similar notices required by applicable law, at all times to be kept, recorded and filed at its own expense in such manner and in such places as may be required by law in order fully to preserve and protect the rights of the Security Trustee hereunder, and will at its own expense furnish to the Security Trustee, promptly after the execution and delivery of this Security Agreement and of each supplemental Security Agreement, an opinion of counsel stating that in the opinion of such counsel this Security Agreement or such supplement, as the case may be, has been properly recorded or filed for record so as to make effective of record the security interest intended to be created hereby.

2.06. Modifications of the Lease.

The Debtor will not:

(a) declare a default or exercise the remedies of the Lessor under, or terminate, modify or accept a surrender of, or offer or agree to any termination, modification or surrender of, the Lease or by affirmative act consent to the creation or existence of any Lien upon the leasehold estate created by the Lease or any part thereof (other than Permitted Encumbrances); or

(b) receive or collect or permit the receipt or collection of any payment of Rental under the Lease prior to the date the same shall be due and payable pursuant to the provisions of the Lease or assign, transfer or hypothecate (other than to the Security Trustee hereunder) any payment of Rental then due or to accrue in the future under the Lease in respect of the Equipment; or

(c) sell, mortgage, transfer, assign or hypothecate (other than to the Security Trustee hereunder) its interest in the Equipment or any part thereof or in any amount to be received by it from the use or disposition of the Equipment.

2.07. Power of Attorney in Respect of the Lease.

The Debtor does hereby irrevocably constitute and appoint the Security Trustee, its true and lawful attorney with full power of substitution, for it and in its name, place and stead, to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for any and all Rental and other sums which are assigned under the granting clauses hereof with full power to settle, adjust or compromise any claim thereunder as fully as the Debtor could itself do, and to endorse the name of the Debtor on all commercial paper given in payment or in part payment thereof, and in its discretion to file any claim or take any other action or proceedings, either in its own name or in the name of the Debtor or otherwise, which the Security Trustee may deem necessary or appropriate to protect and preserve the right, title and interest of the Security Trustee in and to such Rental and other sums and the security intended to be afforded hereby.

2.08. Payment of Indebtedness.

The Debtor will promptly pay the Indebtedness Hereby Secured as and when the same or any part thereof becomes due (whether by lapse of time, declaration, demand or otherwise).

2.09. Maintenance of Corporate Existence.

The Debtor will preserve and keep in full force and effect its corporate existence, rights and franchises and all licenses and permits necessary to the performance of its obligations hereunder, except as otherwise provided in Section 2.10.

2.10. Restrictions on Mergers, Consolidations and Sales of Assets.

The Debtor will not sell, lease, transfer or otherwise dispose of all or a substantial portion of its corporate property or assets to any person, firm or corporation or consolidate with or merge into any other corporation or permit another corporation to merge into it unless (i) the successor formed by or resulting from such consolidation or merger or to which such sale, lease or other disposition shall have been made shall be a solvent corporation organized under the laws of the United States of America or a State thereof or the District of Columbia; (ii) such successor corporation (if other than the Debtor) shall assume all of the Debtor's obligations under this Security Agreement, the Notes, the Loan Agreement and the Lease; and (iii) immediately after such merger, sale, lease or other disposition, such successor corporation shall not be in default in the performance or observance of any of the covenants, agreements or conditions contained in the Loan Agreement, this Security Agreement or the Lease.

SECTION 3. POSSESSION, USE AND RELEASE OF PROPERTY.

3.01. Possession of Collateral.

If and so long as no Default or Event of Default has occurred and is continuing, the Debtor shall be suffered and permitted to remain in full possession, enjoyment and control of the Equipment and to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto, provided, always that the possession, enjoyment, control and use of the Equipment shall at all times be subject to the

observance and performance of the terms of this Security Agreement. It is expressly understood that the use and possession of an Item of Equipment by the Lessee under and subject to the Lease shall not constitute a violation of this Section 3.01.

3.02. Release of Equipment -- Payment of Casualty Value by Lessee.

So long as no Event of Default under the Lease has occurred and is continuing to the knowledge of the Security Trustee, the Security Trustee shall execute a release in respect of any Item of Equipment when designated by the Lessee for a cash settlement pursuant to Section 11 of the Lease upon receipt of: (i) written notice from the Lessee pursuant to Section 11.2 of the Lease, and (ii) settlement by the Lessee for the Equipment in compliance with Section 11.3 of the Lease.

3.03. Release of Equipment -- Consent of Noteholders.

In addition to the sale, exchange or release pursuant to the foregoing Section 3.02, the Debtor may sell or otherwise dispose of any Item of Equipment then subject to the lien of this Security Agreement, and the Security Trustee shall release the same from the lien hereof to the extent and on the terms and upon compliance with the conditions provided for in any written consent given thereto at any time or from time to time by the Noteholders.

3.04. Protection of Purchaser.

No purchaser in good faith of property purporting to be released hereunder shall be bound to ascertain the authority of the Security Trustee to execute the release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority; nor shall any purchaser, in good faith, of any item or unit of the mortgaged property be under obligation to ascertain or inquire into the conditions upon which any such sale is hereby authorized.

SECTION 4. APPLICATION OF CERTAIN MONEYS RECEIVED BY THE SECURITY TRUSTEE: PREPAYMENTS.

4.01. Prepayments.

Except to the extent provided for in this Section 4, the Notes shall not be subject to prepayment or redemption in whole or in part at the option of the Debtor prior to the expressed maturity dates thereof.

4.02. Application of Moneys.

As more fully set forth in the granting clauses hereof, the Debtor has hereby granted to the Security Trustee a security interest in Rentals due and to become due under the Lease in respect of the Equipment as security for the Notes. So long as no Default or Event of Default has occurred and is continuing to the knowledge of the Security Trustee:

(a) Fixed Rentals. The amounts from time to time received by the Security Trustee which constitute payment of the installments of Fixed Rental under the Lease shall be applied first, to the payment of the installment or installments of principal and interest on the Notes which have matured or will mature on or before the due date of the installments of Fixed Rental which are received by the Security Trustee and second, the balance, if any, of such amounts shall be paid to or upon the order of the Debtor on such due date.

(b) Casualty Value. The amounts from time to time received by the Security Trustee which constitute payment by the Lessee of the "Casualty Value" for any Item of Equipment (as defined in Section 11.6 of the Lease) pursuant to Section 11.3 of the Lease and interest due on any late payment of rent with respect to such Item of Equipment pursuant to clause (iii) of Section 11.3 of the Lease shall be paid and applied on the Notes on the next succeeding payment Date not less than 10 days after the notice required by Section 4.03 hereof has been given by the Security Trustee as follows:

(1) An amount equal to the aggregate Loan Value of the Item or Items of Equipment in respect of which such Casualty Value payments were received shall be applied to the prepayment of the principal remaining unpaid on the Notes and any excess amount shall be applied to the payment of accrued and unpaid interest, if any, on the portion of the principal amount of

the Notes so prepaid; and

(ii) Each of the remaining installments of the Notes shall be reduced in the proportion that the principal amount of the prepayment bears to the unpaid principal amount of the Notes immediately prior to the prepayment.

Any amounts in excess of the amounts applied to the payment of principal and interest on the Notes pursuant to clause (i) hereof shall be paid to or upon the order of the Debtor.

The "Loan Value" of an Item of Equipment as of any date shall be the amount which bears the same relationship to the unpaid principal amount of the Notes as of such date as the Original Loan Value of such Item of Equipment bears to the original aggregate principal amount of the Notes. The "Original Loan Value" of an Item of Equipment shall be the amount determined by dividing the original aggregate principal amount of the Notes by the total number of Items of Equipment described on Schedule A hereto.

(c) Insurance Proceeds. The amounts received by the Security Trustee from time to time which constitute proceeds of insurance maintained by the Lessee in respect of the Equipment shall be held by the Security Trustee as a part of the Collateral and shall be applied by the Security Trustee from time to time to any one or more of the following purposes:

(1) Repair or Replacement. If no Event of Default under the Lease and no event, which with the lapse of time, the giving of notice, or both, would constitute an Event of Default under the Lease, shall have occurred and be continuing to the knowledge of the Security Trustee, the proceeds of such insurance shall, if the Items of Equipment which were lost, damaged or destroyed are to be repaired, restored or replaced, be released to the Debtor to reimburse the Lessee for expenditures made for such repair, restoration or replacement of such Items of Equipment upon receipt by the Security Trustee of: (i) a certificate of the President, any Vice President or the Treasurer of the Lessee showing in reasonable detail the purpose for which the expenditures were made and the actual cash expenditures made for such purpose and stating that no Event of Default under the Lease and no event, which with the lapse of time,

the giving of notice, or both, would constitute an Event of Default under the Lease has occurred and is continuing, and (ii) a supplement hereto sufficient, as shown by an opinion of counsel (which may be counsel for the Debtor or the Lessee) in form and content satisfactory to the Security Trustee, to grant a security interest in any additions to or substitutions for the Items of Equipment to the Security Trustee, which opinion shall also cover the filing and/or recording of such supplement so as to perfect the security interest in such additions or substitutions, or in the alternative, an opinion that no such supplement is required for such purpose; and

(2) Application of Notes. If the insurance proceeds shall not have been released to the Debtor pursuant to the preceding paragraph (1) within six months from the receipt thereof by the Security Trustee, then so long as no Default or Event of Default shall have occurred and be continuing to the knowledge of the Security Trustee, the insurance proceeds shall be applied by the Security Trustee on the first Payment Date occurring not less than six months after receipt thereof as follows:

(i) First, to the prepayment of the Notes without regard to any limitation as to the minimum amount of prepayment, all in the manner provided for by Section 4.02(c) hereof; and

(ii) Second, the balance, if any, of such insurance proceeds held by the Security Trustee after making the application provided for by the preceding subparagraph (i) shall be released to or upon the order of the Debtor.

4.03. Notice of Prepayment: Partial Prepayment: Termination of Interest.

(a) In the case of any prepayment of the Notes, notice thereof in writing to the holders of the Notes to be prepaid shall be sent by the Security Trustee as agent and attorney-in-fact of the Debtor by certified or registered mail, postage prepaid, to the holder of each Note to be prepaid, at least 10 days prior to the date fixed for prepayment. Any notice

so mailed shall be conclusively presumed to have been given to such holder whether or not such holder actually receives such notice. Such notice shall specify the date fixed for prepayment, the provision hereof under which such prepayment is being effected and that on the date fixed for prepayment there will become due and payable upon each Note or portion thereof so to be prepaid at the place where the principal of the Notes to be prepaid is payable, the specified amount of principal thereof, together with the accrued interest to such date, with such premium, if any, as is payable thereon and after such date interest thereon shall cease to accrue.

(b) In the event of any partial prepayment of the Notes, the aggregate principal amount of the Notes to be prepaid shall be prorated by the Security Trustee among the holders thereof in proportion to the unpaid principal amount of such Notes held by them and the Security Trustee shall designate the portions of the Notes of each such holder to be prepaid.

(c) On or prior to the date fixed for any prepayment of Notes the moneys required for such prepayment shall be deposited with the Security Trustee by the Debtor. Interest on any Note designated for prepayment or on any portion of the principal amount of any Note designated for prepayment shall cease upon the date fixed for prepayment unless default shall be made in the payment of the amount payable upon the prepayment thereof.

4.04. Amortization Schedules.

Concurrently with the notice of any partial prepayment of any Note, the Debtor shall deliver to the Security Trustee two copies of any amortization schedule with respect to such Note setting forth the amount of the installment payments to be made on such Note after the date of such partial prepayment and the unpaid principal balance of such Note after each such installment payment. The Security Trustee shall deliver, or send by first class mail, postage prepaid, one such copy of the applicable schedule to the holder of such Note at its address set forth in the Register.

4.05. Default.

If an Event of Default has occurred and is continuing, all amounts received by the Security Trustee pursuant to the granting clauses hereof shall be applied in the manner provided for in Section 5 in respect of proceeds and avails of the

Collateral.

SECTION 5. EVENTS OF DEFAULT.

5.01. Nature of Events.

An "Event of Default" shall exist if any of the following occurs and is continuing:

(a) Default in payment of an installment of the principal of, or interest on, any Note when and as the same shall become due and payable, whether at the due date thereof or at the date fixed for prepayment or by acceleration or otherwise and such default shall continue for more than five days (provided, however, that the Debtor shall be entitled to an additional five-day grace period with respect to any two monthly installments of principal and interest on the Notes which become due during any "lease year" (which shall mean for the purposes hereof, the 12-month period commencing with the Term Lease Commencement Date set forth in Schedule A to the Lease and each of the succeeding 12-month periods thereafter during the term of the Lease)); or

(b) An "Event of Default" as set forth in Section 14 of the Lease; or

(c) Default on the part of the Debtor in the due observance or performance of any covenant or agreement to be observed or performed by the Debtor under this Security Agreement or the Loan Agreement, and such default shall continue unremedied for 30 calendar days after written notice thereof from the Security Trustee or the holder of any Note to the Debtor; or

(d) Any representation or warranty made herein or in the Loan Agreement or in any report, certificate, financial or other statement furnished in connection with this Security Agreement or the Loan Agreement, or the transactions contemplated therein shall prove to be false or misleading in any material respect; or

(e) Any Lien (other than a Permitted Encumbrance) shall be asserted against or levied or imposed upon the Equipment which is prior to or on a parity with the security interest granted hereunder, and such Lien shall not be discharged or removed within 30 calendar days after written notice from the Security Trustee or the holder of any Note to the Debtor and

the Lessee demanding the discharge or removal thereof; or

(f) The Debtor becomes insolvent or bankrupt or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors or applies or consents to the appointment of a trustee or receiver for the Debtor or for the major part of its property; or

(g) A trustee or receiver is appointed for the Debtor or for the major part of its property and is not discharged within 60 days after such appointment; or

(h) Bankruptcy, reorganization, arrangement, insolvency, or liquidation proceedings, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors, are instituted by or against the Debtor and, if instituted against the Debtor, are consented to or are not dismissed within 60 days after such institution.

5.02. Security Trustee's Rights.

When any Event of Default has occurred and is continuing the Security Trustee shall have the rights, options, duties and remedies of a secured party, and the Debtor shall have the rights and duties of a debtor, under the Uniform Commercial Code of Illinois (regardless of whether such Code or law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) and without limiting the foregoing, the Security Trustee may exercise any one or more or all, and in any order, of the remedies hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies, but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute:

(a) The Security Trustee may, and upon the written request of the holders of 25% of the principal amount of the Notes then outstanding shall, by notice in writing to the Debtor declare the entire unpaid balance of the Notes to be immediately due and payable; and thereupon all such unpaid balance, together with all accrued interest thereon (but without premium), shall be and become immediately due and payable.

(b) Subject always to the then existing rights, if any, of the Lessee under the Lease, the Security Trustee personally or by agents or attorneys, shall have the right (subject to compliance with any applicable mandatory legal requirements) to take immediate possession of the Collateral, or any portion thereof, and for that purpose may pursue the same wherever it may be found, and may enter any of the premises of the Debtor, with or without notice, demand, process of law or legal procedure, if this can be done without breach of the peace, and search for, take possession of, remove, keep and store the same, or use and operate or lease the same until sold.

(c) Subject always to the then existing rights, if any, of the Lessee under the Lease, in the event the Security Trustee shall demand possession of the Equipment then, without limiting the provisions of paragraph (b) hereof, the Debtor shall forthwith deliver possession of the Equipment to the Security Trustee in good order and repair, ordinary wear excepted. For the purpose of delivering possession of any Equipment to the Security Trustee as above required, the Debtor shall, at its own cost and expense, forthwith:

(1) Assemble and place such Equipment upon storage tracks in the state of Illinois or Indiana (or such other place or places as the parties hereto shall agree in writing) as the Security Trustee shall designate;

(2) Provide storage at the risk of the Debtor for such Equipment on such tracks for a period not exceeding 180 days after written notice has been given to the Security Trustee specifying the place of storage and the car numbers of the Items of Equipment so stored; and

(3) Deliver any Item of Equipment at any time within such 180 days' period to any connecting carrier on tracks at any place within Indiana or Illinois for shipment, all as the Security Trustee may direct.

The assembling, delivery and storage of the Equipment as hereinabove provided are of the essence of this Security Agreement, and upon application to any court of equity having jurisdiction in the premises, the Security Trustee shall be entitled to a decree against the Debtor requiring specific performance of the covenants of the Debtor so to assemble, deliver and store the Equipment.

(d) Subject always to the then existing rights, if any, of the Lessee under the Lease, the Security Trustee may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Debtor once at least ten days prior to the date such sale, and any other notice which may be required by law, sell and dispose of said Collateral, or any part thereof, at public auction to the highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Security Trustee may determine, and at any place (whether or not it be the location of the Collateral or any part thereof) designated in the notice above referred to. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further published notice, and the Security Trustee or the holder or holders of Notes, or of any interest therein, may bid and become the purchaser at any such sale.

(e) The Security Trustee may proceed to protect and enforce this Security Agreement and said Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted; or for foreclosure hereunder, or for the appointment of a receiver or receivers for the mortgaged property or any part thereof, or for the recovery of judgment for the Indebtedness Hereby Secured or for the enforcement of any other proper, legal or equitable remedy available under applicable law.

(f) Subject always to the then existing rights, if any, of the Lessee under the Lease, the Security Trustee may proceed to exercise all rights, privileges and remedies of the Debtor under the Lease and may exercise all such rights and remedies either in the name of the Security Trustee or in the name of the Debtor for the use and benefit of the Security Trustee.

5.03. Acceleration Clause.

In case of any sale of the Collateral, or of any part thereof, pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Security Agreement, the principal of the Notes, if not previously due, and the interest accrued thereon, shall at once become and be immediately due and payable; also in the case of any such sale, the purchaser or purchasers, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Notes and any claims for interest matured and unpaid thereon, in order that there may be credited as paid on the purchase price the sum apportionable and applicable to the Notes including principal and interest thereof out of the net proceeds of such sale after allowing for the proportion of the total purchase price required to be paid in actual cash.

5.04. Waiver by Debtor.

The Debtor covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, nor claim, take, nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisement of the Collateral or any part thereof, prior to any sale or sales thereof to be made pursuant to any provision herein contained, or to the decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and hereby expressly waives for itself and on behalf of each and every person, except decree or judgement creditors of the Debtor acquiring any interest in or title to the Collateral or any part thereof subsequent to the date of this Security Agreement, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Security Trustee, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted.

5.05. Effect of Sale.

Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Debtor in and to the property sold and shall be a perpetual bar, both at law and in equity, against the Debtor, its successors and assigns, and against any and all persons claiming the property sold or any part thereof under, by or through the Debtor, its successors or assigns (subject, however, to the then existing rights, if any, of the Lessee under the Lease).

5.06. Application of Sale Proceeds.

The proceeds and/or avails of any sale of the Collateral, or any part thereof, and the proceeds and the avails of any remedy hereunder shall be paid to and applied as follows:

(a) First, to the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all proper expenses, liability and advances, including legal expenses and attorneys' fees, incurred or made hereunder by the Security Trustee, or the holder or holders of the Notes and of all taxes, assessments or liens superior to the lien of these presents, except any taxes, assessments or other superior lien subject to which said sale may have been made;

(b) Second, to the payment to the holder or holders of the Notes of the amount then owing or unpaid on the Notes for principal and interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Notes, then ratable according to the aggregate of such principal and the accrued and unpaid interest with application on each Note to be made, first, to the unpaid principal thereof, and second, to unpaid interest thereon; and

(c) Third, to the payment of the surplus, if any, to the Debtor, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

5.07. Discontinuance of Remedies.

In case the Security Trustee shall have proceeded to enforce any right under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been

determined adversely, then and in every such case the Debtor, the Security Trustee and the holders of the Notes shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Security Agreement.

5.08. Cumulative Remedies.

No delay or omission of the Security Trustee or of the holder of any Note to exercise any right or power arising from any default on the part of the Debtor, shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Security Trustee, or the holder of any Note, of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. No remedy hereunder is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Security Agreement operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder, nor shall the Security Trustee or holder of any of the Notes be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

SECTION 6. THE SECURITY TRUSTEE.

The Security Trustee accepts the trust hereunder and agrees to perform the same, but only upon the terms and conditions hereof, including the following, to all of which the Debtor and the respective holders of the Notes at any time outstanding by their acceptance thereof agree:

6.01. Certain Duties and Responsibilities of Security Trustee.

(a) Except during the continuance of an Event of Default:

(1) the Security Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Security Agreement, and no implied covenants or obligations shall be read into this Security Agreement against the Security Trustee; and

(2) in the absence of bad faith on its part, the Security Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Security Trustee and conforming to the requirements of this Security Agreement; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Security Trustee, the Security Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Security Agreement.

(b) Within 30 days after the Security Trustee has knowledge of the occurrence of any default hereunder, the Security Trustee shall send notice to all holders of the Notes of such default unless the same shall have been cured or waived.

(c) In case an Event of Default has occurred and is continuing, the Security Trustee shall exercise such of the rights and powers vested in it by this Security Agreement for the benefit of the holders of the Notes, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(d) No provision of this Security Agreement shall be construed to relieve the Security Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(1) this subsection shall not be construed to limit the effect of subsection (a) of this Section;

(2) the Security Trustee shall not be liable for any error of judgment made in good faith by an officer of the Security Trustee unless it shall be proved that the Security Trustee was negligent in ascertaining the pertinent facts; and

(3) the Security Trustee shall not be liable to the holder of any Note with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of 66-2/3% in principal amount of the Notes outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Security Trustee, or exercising any trust or power conferred upon the Security Trustee under this Security Agreement.

(e) No provision of this Security Agreement shall require the Security Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(f) Whether or not therein expressly so provided, every provision of this Security Agreement relating to the conduct or affecting the liability of or affording protection to the Security Trustee shall be subject to the provisions of this Section.

6.02. Rights to Compensation and Indemnification: Lien Therefor.

(a) The Debtor covenants to pay to the Security Trustee such compensation for its services hereunder as shall be agreed to by the Debtor and the Security Trustee or, in the absence of such agreement, reasonable compensation therefor (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust), and to pay, or reimburse, the Security Trustee for all reasonable expenses incurred hereunder, including the reasonable compensation, expenses and disbursements of such agents, representatives, experts and counsel as the Security Trustee may employ in connection with the exercise and performance of its power and duties hereunder.

(b) The Debtor will also indemnify and save the Security Trustee harmless against any liabilities, not arising from the Security Trustee's own default or negligence or bad faith, which it may incur in the exercise and performance of its rights, powers and trusts, duties and obligations hereunder.

(c) As security for such compensation, expenses, disbursements and indemnification, the Security Trustee shall have the benefit of the lien hereby created in priority to the indebtedness evidenced by the Notes issued hereunder.

6.03. Certain Rights of Security Trustee.

(a) The Security Trustee shall not be responsible for any recitals herein or in the Loan Agreement or for insuring the Equipment, or for paying or discharging any tax, assessment, governmental charge or lien affecting the Collateral, or for the recording, filing or refiling of this Security Agreement, or of any supplemental or further mortgage or trust deed, nor shall the Security Trustee be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements contained herein or in the Loan Agreement, and, except in the case of a default in the payment of the principal of, or interest or premium, if any, on any Note or a default of which the Security Trustee has actual knowledge, the Security Trustee shall be deemed to have knowledge of any default in the performance or observance of any such covenants, conditions or agreements only upon receipt of written notice thereof from the Debtor or from one of the holders of the Notes. The Security Trustee shall promptly notify all holders of Notes of any default of which the Security Trustee has actual knowledge. Upon receipt by the Security Trustee of such written notice from a holder of a Note, the Security Trustee shall promptly notify all other holders of Notes of such notice and the default referred to therein, by prepaid registered mail addressed to them at their addresses set forth in the Register.

(b) The Security Trustee makes no representation or warranty as to the validity, sufficiency or enforceability of this Security Agreement, the Notes, the Loan Agreement or any instrument included in the Collateral, or as to the value, title, condition, fitness for use of, or otherwise with respect to any Equipment or Item of Equipment or any substitute therefor. The Security Trustee shall not be accountable to anyone for the use or application of any of the Notes or the proceeds thereof or for the use or application of any property or the proceeds thereof which shall be released from the lien and security interest hereof in accordance with the provisions of this Security Agreement.

(c) The Security Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(d) Any request, direction or authorization by the Debtor shall be sufficiently evidenced by a request, direction or authorization in writing, delivered to the Security Trustee, and signed in the name of the Debtor by its Chairman of the Board, President, any Vice President, Treasurer or Secretary; and any resolution of the Board of Directors of the Debtor shall be sufficiently evidenced by a copy of such resolution certified by its Secretary or an Assistant Secretary to have been duly adopted and to be in full force and effect on the date of such certification, and delivered to the Security Trustee.

(e) Whenever in the administration of the trust herein provided for the Security Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate purporting to be signed by the Chairman of the Board, the President, any Vice President, the Treasurer or the Secretary of the Debtor and delivered to the Security Trustee, and such certificate shall be full warrant to the Security Trustee or any other person for any action taken, suffered or omitted on the faith thereof, but in its discretion the Security Trustee may accept, in lieu thereof, other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable.

(f) The Security Trustee may consult with counsel, appraisers, engineers, accountants and other skilled persons to be selected by the Security Trustee, and the written advice of any thereof within the scope of their respective areas of expertise shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(g) The Security Trustee shall be under no obligation to take any action to protect, preserve or enforce any rights or interests in the Collateral or to take any action towards the execution or enforcement of the trusts hereunder or otherwise hereunder, whether on its own motion or on the request of any other person, which in the opinion of the Security Trustee may involve loss, liability, or expense, unless the Debtor or one or more holders of the Notes outstanding shall offer and furnish reasonable security or indemnity against loss, liability and expense to the Security Trustee.

(h) The Security Trustee shall not be liable to the holder of any Note for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Security Agreement.

(i) The Security Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document, unless requested in writing to do so by the holders of not less than a majority in principal amount of the Notes then outstanding.

(j) The Security Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys.

(k) The provisions of paragraphs (c) to (j), inclusive, of this Section 6.03 shall be subject to the provisions of Section 6.01 hereof.

6.04. Showings Deemed Necessary by Security Trustee.

Notwithstanding anything elsewhere in this Security Agreement contained, the Security Trustee shall have the right, but shall not be required, to demand in respect of withdrawal of any cash, the release of any property, the subjection of any after-acquired property to the lien of this Security Agreement, or any other action whatsoever within the preview hereof, any showings, certificates, opinions, appraisals or other information by the Security Trustee deemed necessary or appropriate in addition to the matters by the terms hereof required as a condition precedent to such action.

6.05. Monies Held and Paid by Security Trustee: Investments.

(a) Except as provided in this Section 6.05, any monies at any time paid to or held by the Security Trustee hereunder until paid out by the Security Trustee as herein provided shall be held in trust for the purpose for which they were received, and may be deposited by the Security Trustee under such general conditions as may be prescribed by law in the Security Trustee's general banking department, and the Security Trustee shall be under no liability for interest on any monies received by them hereunder.

(b) **Escrow of Note Purchasers' Deposits: Investments.**
So long as, to the knowledge of the Security Trustee, no Event of Default under the Security Agreement shall have occurred and be continuing, the Security Trustee shall upon the written direction of the Debtor, invest and reinvest the funds advanced by the Lender on the Deposit Date (the "Escrowed Funds") in such of the following investments as the Debtor shall specify:

(1) Bonds or other obligations of the United States which as to principal and interest constitute direct obligations of the United States of America or are issued or guaranteed by any person controlled or supervised by and acting as an instrumentality of the United States pursuant to authority granted by the Congress of the United States and for which the full faith and credit of the United States Government is pledged to provide for the payment of principal and interest;

(2) Certificates of deposit issued by commercial banks which are members of the Federal Reserve System with capital and surplus of at least \$100,000,000, and which at the time of such investment have, or whose parent companies have, outstanding publicly-held debt securities rated "A" or better by a nationally recognized rating service; or

(3) Repurchase agreements fully secured by any one or more of the obligations referred to in clause (1) above; in each case of clauses (1) through (3) maturing in not more than 90 days from the date of such investment (such investments described in clauses (1) through (3) being hereinafter called "Investment(s)").

Upon any sale or payment at maturity of any Investment, the proceeds thereof, plus any interest received by the Security Trustee thereon, up to the purchase or investment price (including accrued interest and earned discount) and any fees, charges or expenses incurred in connection with such purchase or investment and the sale or other disposition thereof (hereinafter referred to as the "Investment Cost") shall be held by the Security Trustee for application pursuant to this Section 6.05, the balance, if any, of such proceeds or payment (plus interest and earned discount) shall, on the Cut-Off Date (as hereinafter defined), be remitted to the Debtor, unless an Event of Default under the Security Agreement shall have occurred and be continuing. If such proceeds (plus such interest and earned discount) shall be less than such Investment Cost, the Debtor will promptly pay to the Security Trustee an amount equal to such deficiency. Any payment in respect of such deficiency shall be held and applied by the Security Trustee in like manner as the proceeds of the sale or redemption of Investments.

(c) Disbursement of Escrowed Funds on Delivery and Closing Date. On such date during the month of March, 1979 as the Debtor shall designate to the Security Trustee as the date on which the Equipment is to be delivered and accepted under the Lease and purchased by the Debtor (the "Delivery and Closing Date"), the Security Trustee will, upon evidence satisfactory to it and Messrs. Chapman and Cutler of compliance with each of the requirements set forth in Section 3 of the Loan Agreement:

(1) disburse the Escrowed Funds for payment to the Debtor pursuant to the Loan Agreement, an amount equal to 80% of the Lessor's Cost of such Items of Equipment;

(2) if such moneys then on deposit as Escrowed Funds are insufficient to make the payments provided for in clause (1) above, promptly upon receipt of notice of the Delivery and Closing Date, sell such portion of the Investments as may be necessary in order to provide sufficient funds for such payment and use the funds so derived together with interest received on any Investment and any deficiency paid by the Debtor as contemplated by Section 6.05(b) and held by the Security Trustee, to make such payments as are provided in clause (1) above; and

(3) if such moneys then on deposit as Escrowed Funds are greater than the amount necessary to make the payments provided for in clause (1) above, the Security Trustee will, five business days immediately preceding the Delivery and Closing Date (i) notify the Lender of such excess, and (ii) distribute such excess on the Delivery and Closing Date to the Lender as a prepayment on the Note, without premium, in the manner provided in Section 1.04 of this Security Agreement. At the request of the Lender and upon surrender to the Debtor on the Delivery and Closing Date of the Note issued on the Deposit Date, the Debtor will issue and deliver a new Note, identical in all respects to said surrendered Note, but reflecting a principal amount and installments due and payable thereon and the due dates thereof revised after giving effect to such prepayment and the date of occurrence of the Delivery and Closing Date.

(d) Return of Funds on Cut-Off Date. If no Delivery and Closing Date has occurred on or prior to March 31, 1979, then the Security Trustee will, five business days immediately preceding March 31, 1979 (the "Cut-Off Date") (i) notify the Lender that no Delivery and Closing Date has been or will be designated by the Debtor on or prior to the Cut-Off Date and, accordingly, that the Escrowed Funds will be returned to the Lender, and (ii) distribute the entire amount of the Escrowed Funds to the Lender on the Cut-Off Date as a prepayment in full on the Note, without premium.

6.06. Resignation of Security Trustee.

The Security Trustee may resign and be discharged of the trusts hereby created by mailing notice specifying the date when such resignation shall take effect to the Debtor and to the holders of the Notes at their addresses set forth in the Register. Such resignation shall take effect on the date specified in such notice (being not less than thirty days after the mailing of such notice) unless previously a successor security trustee shall have been appointed as hereinafter provided, in which event such resignation shall take effect immediately upon the appointment of such successor.

6.07. Removal of Security Trustee.

The Security Trustee may be removed by an instrument or concurrent instruments in writing signed and acknowledged by the holders of a majority in principal amount of the Notes and delivered to the Security Trustee and to the Debtor.

6.08. Successor Security Trustee.

Each security trustee appointed in succession of the Security Trustee named in this Security Agreement, or its successor in the trust, shall be a trust company or banking corporation having an office in the City of Chicago, Illinois, in good standing and having a capital and surplus aggregating at least \$50,000,000 if there be such a trust company or banking corporation qualified, able and willing to accept the trust upon reasonable or customary terms.

6.09. Appointment of Successor Security Trustee.

In case at any time the Security Trustee shall resign or be removed or become incapable of acting, a successor security trustee may be appointed by the holders of a majority in aggregate principal amount of the Notes at the time outstanding, by an instrument or instruments in writing executed by such holders and filed with such successor security trustee.

Until a successor security trustee shall be so appointed by the holders of the Notes, a successor security trustee may be appointed by the Debtor by an instrument in writing executed by the Debtor and delivered to the successor security trustee, or upon application of the retiring security trustee, by any court of competent jurisdiction. Any successor security trustee appointed pursuant to this paragraph shall immediately and without further act be superseded by a successor security trustee appointed by the holders of a majority in aggregate principal amount of the Notes then outstanding.

6.10. Merger or Consolidation of Security Trustee.

Any company into which the Security Trustee, or any successor to it in the trust created by this Security Agreement, may be merged or converted or with which it or any successor to it may be consolidated or any company resulting from any merger or consolidation to which the Security Trustee or any successor to it shall be a party (provided such company shall be a corporation organized under the laws of the State of

Illinois or of the United States of America, having a capital and surplus of at least \$50,000,000), shall be the successor to the Security Trustee under this Security Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto. The Debtor covenants that in case of any such merger, consolidation or conversion it will, upon the request of the merged, consolidated or converted corporation, execute, acknowledge and cause to be recorded or filed suitable instruments in writing to confirm the estates, rights and interests of such corporation as security trustee under this Security Agreement.

6.11. Conveyance Upon Request of Successor Security Trustee.

Should any deed, conveyance or instrument in writing from the Debtor be required by any successor security trustee for more fully and certainly vesting in and confirming to such new security trustee such estates, rights, powers and duties, then upon request any and all such deeds, conveyances and instruments in writing shall be made, executed, acknowledged and delivered, and shall be caused to be recorded and/or filed, by the Debtor.

6.12. Acceptance of Appointment by Successor.

Any new security trustee appointed pursuant to any of the provisions hereof shall execute, acknowledge and deliver to the Debtor an instrument accepting such appointment; and thereupon such new security trustee, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers and trusts of its predecessor in the rights hereunder with like effect as if originally named as security trustee herein; but nevertheless, upon the written request of the Debtor or of the successor security trustee, the security trustee ceasing to act shall execute and deliver an instrument transferring to such successor security trustee, upon the trusts herein expressed, all the estates, properties, rights, powers and trusts of the security trustee so ceasing to act, and shall duly assign, transfer and deliver any of the property and monies held by such security trustee to the successor security trustee so appointed in its or his place.

6.13. Co-Trustees.

At any time, for the purpose of meeting any legal requirements of any jurisdiction in which any part of the Collateral may at the time be located, the Debtor and the

Security Trustee jointly shall have the power and shall execute and deliver all instruments, to appoint one or more persons approved by the Security Trustee, to act as co-trustee, or co-trustees, of all or any part of the Collateral, and to vest into such person or persons, in such capacity, such title to the Collateral or any part thereof, and such rights, powers, duties, trusts or obligations as the Debtor and the Security Trustee may consider necessary or desirable. If the Debtor shall not have joined in such appointment within 15 days after the receipt by it of a request so to do, or in case an Event of Default shall have occurred and be continuing, the Security Trustee alone shall have the power to make such appointment.

SECTION 7. SUPPLEMENTAL INDENTURES: WAIVERS.

7.01. Supplemental Indentures Without Noteholders' Consent.

The Debtor and the Security Trustee from time to time and at any time subject to the restrictions in this Security Agreement contained, may enter into an indenture or indentures supplemental hereto and which thereafter shall form a part hereof for any one or more or all of the following purposes:

(a) to add to the covenants and agreements to be observed by, and to surrender any right or power reserved to or conferred upon, the Debtor;

(b) to subject to the security interest of this Security Agreement additional property hereafter acquired by the Debtor and intended to be subjected to the security interest of this Security Agreement, and to correct and amplify the description of any property subject to the security interest of this Security Agreement;

(c) to permit the qualification of this Security Agreement under the Trust Indenture Act of 1939, as amended, or any similar Federal Statute hereafter in effect, except that nothing herein contained shall permit or authorize the inclusion of the provisions referred to in Section 316(a)(2) of said Trust Indenture Act of 1939 or any corresponding provision in any similar Federal statute hereafter in effect; or

(d) for any other purpose not inconsistent with the terms of this Security Agreement, or to cure any ambiguity or cure, correct or supplement any defect or inconsistent provisions of this Security Agreement or any supplement;

and the Debtor covenants to perform all requirements of any such supplemental indenture. No restriction or obligation imposed upon the Debtor may, except as otherwise provided in this Security Agreement, be waived or modified by such supplemental indentures, or otherwise.

7.02. Waivers and Consents by Noteholders: Supplemental Indentures with Noteholders' Consent.

Upon the waiver or consent of the holders of at least 66-2/3% in aggregate principal amount of the Notes (a) the Debtor may take any action prohibited or omit the taking of any action required, by any of the provisions of this Security Agreement or any indenture supplemental hereto, or (b) the Debtor and the Security Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding, changing or eliminating any provisions of this Security Agreement or of any indenture supplemental hereto or modifying in any manner the rights and obligations of the holders of the Notes and the Debtor; provided, that no such waiver or supplemental indenture shall (i) extend the time of payment (including any required prepayment) of the principal of or the interest and premium, if any, on any Note or reduce the principal amount thereof or change the rate of interest thereon, (ii) permit the creation of any lien or security interest with respect to any of the Collateral, without the consent of the holders of all the Notes at the time outstanding, (iii) effect the deprivation of the holder of any Note of the benefit of the security interest of this Security Agreement upon all or any part of the Collateral without the consent of such holder, (iv) reduce the aforesaid percentage of the aggregate principal amount of the Notes, the holders of which are required to consent to any such waiver or supplemental indenture pursuant to this Section, without the consent of the holders of all of the Notes at the time outstanding, or (v) modify the rights, duties or immunities of the Security Trustee, without the consent of the holders of all of the Notes at the time outstanding.

7.03. Notice of Supplemental Indentures.

Promptly after the execution by the Debtor and the Security Trustee of any supplemental indenture or agreement pursuant to the provisions of Section 7.01 or 7.02 hereof, the Security Trustee shall give written notice, setting forth in general terms the substance of such supplemental indenture, together with a conformed copy thereof, mailed, first-class, postage prepaid to each holder of the Notes and at the address set forth in the Register. Any failure of the Security Trustee to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of such supplemental indenture or agreement.

SECTION 8. INTERPRETATION OF THIS AGREEMENT.

8.01. Terms Defined.

As used in this Security Agreement, the following terms have the following respective meanings:

(a) The term "Affiliate" shall mean a Person (1) which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, the Company, (2) which beneficially owns or holds 5% or more of any class of the Voting Stock of the Company or (3) 5% or more of the Voting Stock (or in the case of a Person which is not a corporation, 5% or more of the equity interest) of which is beneficially owned or held by the Company or a Subsidiary. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

(b) The term "Casualty Occurrence" shall have the meaning specified in Section 11.2 of the Lease.

(c) The term "Casualty Value" shall have the meaning specified in Section 11.6 of the Lease.

(d) The term "Collateral" is defined in the Granting Clauses hereof.

(e) The term "Default" shall mean any event which would constitute an Event of Default if any requirement in connection therewith for the giving of notice, or the lapse of time, or the happening of any further condition, event or action has been satisfied.

(f) The term "Delivery and Closing Date" is defined in Section 6.05(c) hereof.

(g) The term "Deposit Date" is defined in Recital B hereof.

(h) The term "Equipment" or Items or Equipment" shall mean the railroad rolling stock described in Schedule A hereto, together with any accessories, equipment, parts and appurtenances, whether now owned or hereafter acquired. "Item" or "Item of Equipment" shall mean any one of said Items of Equipment.

(i) The term "Escrowed Funds" is defined in Section 6.05(b) hereof.

(j) The term "Event of Default" is defined in Section 5.01 hereof.

(k) The term "Fixed Rental" shall have the meaning specified in Section 2.1 of the Lease.

(l) The term "Indebtedness Hereby Secured" shall mean the Notes and all principal thereof and interest (and premium, if any) thereon and all additional amounts and other sums at any time due and owing from or required to be paid by the Debtor under the terms of the Notes, this Security Agreement or the Loan Agreement.

(m) The term "Lease" shall mean the Equipment Lease dated as of September 30, 1978 between the Debtor, as lessor, and Northern Indiana Public Service Company, an Indiana corporation, as lessee, substantially in the form attached hereto as Exhibit 2.

(n) The term "Lender" shall mean New England Mutual Life Insurance Company, as the lender under the Loan Agreement.

proceedings and the non-payment thereof does not adversely affect the right, title and interest of the Security Trustee and (iii) the right, title and interest of the Security Trustee under this Security Agreement.

(w) The term "Person" shall mean an individual, partnership, corporation, trust or unincorporated organization, and a government or agency or political subdivision thereof.

(x) The term "Property" shall mean any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

(y) The term "Rentals" shall mean, for any Item of Equipment, the Fixed Rentals and Supplemental Rentals payable for such Item pursuant to the Lease, and for all Items of Equipment all such Fixed Rentals and Supplemental Rentals payable for the Equipment.

(z) The terms "Security" or "Securities" shall have the same meaning as in Section 2(1) of the Security Act of 1933, as amended.

(aa) The term "Subsidiary" of a corporation shall mean any other corporation of which such corporation owns more than 50% of the Voting Stock.

(bb) The term "Supplemental Rentals" shall mean all amounts, liabilities and obligations which the Lessee assumes or agrees to pay under the Lease including without limitation insurance payments, if any, and payments of Casualty Value, but excluding Fixed Rentals.

(cc) The term "Voting Stock" shall mean securities of any class or classes of a corporation the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors (or Persons performing similar functions).

8.02. Accounting Principles.

Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Security Agreement, this shall be done in accordance with generally accepted accounting principles at the time in effect, to the extent applicable,

except where such principles are inconsistent with the requirements of this Agreement.

8.03. Directly or Indirectly.

Where any provision of this Security Agreement refers to action to be taken by any Person or which such Person is prohibited from taking, such provisions shall be applicable whether such action is taken directly or indirectly by such Person.

8.04. Governing Law.

This Security Agreement and the Notes shall be governed by and construed in accordance with Illinois law.

SECTION 9. MISCELLANEOUS.

9.01. Successors and Assigns.

Whenever any of the parties hereto is referred to such reference shall be deemed to include the successors and assigns of such party; and all the covenants, premises and agreements in this Security Agreement contained by or on behalf of the Debtor or by or on behalf of the Security Trustee, shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

9.02. Partial Invalidity.

The unenforceability or invalidity of any provision or provisions of this Security Agreement shall not render any other provision or provisions herein contained unenforceable or invalid.

9.03. Communications.

All communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when delivered personally or when deposited in the United States mail, certified mail, postage prepaid, addressed as follows:

If to the Debtor:	No. 7 Rail Car Leasing Company P.O. Box 218 Chicago Heights, Illinois 60411 Attn: Vice President - Finance
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If to the Security
Trustee:

Continental Illinois National Bank
and Trust Company of Chicago,
as Trustee
231 South LaSalle Street
Chicago, Illinois 60693
Attn: Corporate Trust Department

or to the Debtor or the Security Trustee at such other address as the Debtor or the Security Trustee may designate by notice duly given in accordance with this Section to the other parties. Communications to the holder of a Note shall be deemed to have been given (unless otherwise provided for by the specific provisions hereof in respect of any matter) when delivered personally or when deposited in the United States mail, certified mail, postage prepaid, addressed to such holder at its address set forth in the Register.

9.04. Release.

The Security Trustee shall release this Security Agreement and the security interest granted hereby by proper instrument or instruments upon presentation of satisfactory evidence that all Indebtedness Hereby Secured has been fully paid or discharged. When to the knowledge of the Security Trustee the Indebtedness Hereby Secured shall have been paid in full, it shall advise the Lessee that the assignment of the Lease as security hereunder is of no further force and effect.

9.05. Counterparts.

This Security Agreement may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one Security Agreement.

9.06. Headings and Table of Contents.

Any headings or captions preceding the text of the several sections hereof and the Table of Contents are intended solely for convenience of reference and shall not constitute a part of this Security Agreement nor shall they affect its meaning, construction or effect.

9.07. Effective Date.

This Security Agreement is dated as of the date designated in the initial paragraph hereof for convenience of identification and has been executed by the Debtor on the date shown in the acknowledgement attached hereto, but is delivered by the Debtor to the Security Trustee and becomes effective on the date of issuance of the Notes to the Lender.

IN WITNESS WHEREOF, the Debtor has caused this Security Agreement to be executed and the Security Trustee, in evidence of its acceptance of the trusts hereby created, has caused this Security Agreement to be executed on its behalf by one of its trust officers and its corporate seal to be hereunto affixed, and said seal and this Security Agreement to be attested by one of its Assistant Secretaries, all as of the day and year first above written.

NO. 7 RAIL CAR LEASING COMPANY

[CORPORATE SEAL]

By

[Signature]
Its Vice President - Finance

ATTEST:

[Signature]
Asst. Secretary

DEBTOR

CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO,
as Trustee

[CORPORATE SEAL]

By

Its Vice President

ATTEST:

Trust Officer

SECURITY TRUSTEE

STATE OF ILLINOIS)
)SS
COUNTY OF COOK)

On this 27th day of December, 1978, before me personally appeared Stanley D. Christianson and John M. Hartigan, to me personally known, who being by me duly sworn, say that they are, respectively, Vice President and Asst. Secretary of NO. 7 RAIL CAR LEASING COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Deana L. Kresz
Notary Public

[SEAL]

My Commission Expires: January 11, 1981

STATE OF ILLINOIS)
)SS
COUNTY OF COOK)

On this ____ day of _____, 1978, before me personally appeared _____ and _____, to me personally known, who being by me duly sworn, say that they are, respectively, Vice President and Trust Officer of CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, as Trustee, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[SEAL]

My Commission Expires:

DESCRIPTION OF EQUIPMENT

DESCRIPTION: 110 Four Thousand Cubic Foot
100-Ton Capacity Unit Train
Gondola Cars

MANUFACTURER: Thrall Car Manufacturing Company

**IDENTIFICATION MARKS AND
NUMBERS (BOTH INCLUSIVE:** NORX922 Through NORX1031, both
inclusive

**SCHEDULE A
(to Security Agreement-Trust Deed)**

NO. 7 RAIL CAR LEASING COMPANY

9-5/8% SECURED NOTE

No. R-

\$

, 19

FOR VALUE RECEIVED, the undersigned, NO. 7 RAIL CAR LEASING COMPANY, an Illinois corporation (the "Company"), promises to pay to

NEW ENGLAND MUTUAL LIFE INSURANCE COMPANY

or registered assigns, the principal amount of

together with interest from the date hereof until maturity on the principal balance from time to time remaining unpaid hereon at the rate of nine and five-eighths per cent (9-5/8%) per annum (computed on the basis of a 360-day year of 12 consecutive 30-day months) in installments as follows:

(i) one installment of interest only for the period from and including the date hereof to, but not including, the earlier to occur of (x) the Delivery and Closing Date, or (y) the Cut-Off Date (as such terms are defined in the Security Agreement referred to below); and

(ii) 179 equal consecutive installments, including both principal and interest, each in the amount of \$ the first such installment to be paid one month following the installment of interest only referred to in clause (i) above and the remaining such installments to be payable at monthly intervals thereafter; and

EXHIBIT 1
(to Security Agreement-Trust Deed)

Trustee and is transferable only by surrender thereof at the principal office of the Security Trustee duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of this Note or his attorney duly authorized in writing. Payment of or on account of principal, premium, if any, and interest on this Note shall be made only to or upon the order in writing of the registered holder.

This Note and any other Note outstanding under the Security Agreement may be declared due prior to its and their expressed maturity date all in the events, on the terms and in the manner provided for in the Security Agreement. Certain prepayments are required to be made hereon on the terms and in the manner provided for in the Security Agreement.

NO. 7 RAIL CAR LEASING COMPANY

By _____
Its Vice President

This is one of the Notes referred to in the within mentioned Security Agreement.

Dated:

CONTINENTAL ILLINOIS NATIONAL
BANK AND TRUST COMPANY OF
CHICAGO, as Trustee

By _____
Authorized Officer

THIS NOTE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAW OF ANY STATE, AND MAY BE OFFERED OR SOLD ONLY IF SO REGISTERED OR IF AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

JAN 26 1979 -3 25 PM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT-TRUST DEED

Dated as of September 30, 1978

FROM

NO. 7 RAIL CAR LEASING COMPANY

Debtor

CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO,
as Trustee

Secured Party

Relating to

\$3,200,000 9-5/8% Secured Notes
Due 1979-1994

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SCHEDULE A - Description of Equipment
 EXHIBIT 1 - Form of 9-5/8% Secured Notes
 EXHIBIT 2 - Form of Lease

SECURITY AGREEMENT-TRUST DEED ("Security Agreement") dated as of September 30, 1978 from NO. 7 RAIL CAR LEASING COMPANY, an Illinois corporation, having a Post Office address at P. O. Box 218, Chicago Heights, Illinois 60411 (the "Debtor"), to CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, a national banking association, having a Post Office address at 231 South LaSalle Street, Chicago, Illinois 60693, as Trustee (the "Security Trustee").

RECITALS:

A. The defined terms used in this Security Agreement shall have the respective meanings indicated in Section 8.01 unless elsewhere defined or the context shall otherwise require.

B. The Debtor and the Lender have entered into a Loan Agreement dated as of September 30, 1978 (the "Loan Agreement") providing for the commitment of the Lender to make a loan to the Debtor on a date during the month of December, 1978 designated by the Debtor by not less than five business days' prior written notice (the "Deposit Date") not exceeding \$3,200,000 in aggregate principal amount to be evidenced by the 9-5/8% Secured Notes (the "Notes") of the Debtor described in Section 1 hereof.

C. All of the requirements of law have been fully complied with and all other acts and things necessary to make this Security Agreement a valid, binding and legal instrument for the security of the Notes have been done and performed.

NOW, THEREFORE, the Debtor in consideration of the premises and of the sum of Ten Dollars received by the Debtor from the Security Trustee and other good and valuable consideration, receipt whereof is hereby acknowledged, and in order to secure the payment of the principal of and interest on the Notes according to their tenor and effect, and to secure the payment of all other Indebtedness Hereby Secured and the performance and observance of all covenants and conditions in the Notes and in this Security Agreement and in the Loan Agreement contained, does hereby convey, warrant, mortgage, assign, pledge and grant to the Security Trustee, its successors in trust and assigns, a security interest in all and singular of the Debtor's right, title and interest in, all and singular, the following described properties, rights, interests and privileges (hereinafter collectively referred to as the "Collateral"):

DIVISION I

The Items of Equipment described in Schedule A attached hereto and made a part hereof, together with all accessories, equipment, parts and appurtenances whether now owned or hereafter acquired, and all substitutions, renewals or replacements of and additions, improvements, accessions and accumulations to any and all of said Items of Equipment, together with all the rents, issues, income, profits and avails therefrom.

DIVISION II

All right, title, interest, claims and demands of the Debtor, as lessor otherwise, in, under and to the Lease and all Rentals due and to become due thereunder, including any and all extensions or renewals thereof insofar as the same cover or relate to the Equipment; it being the intent and purpose hereof that the assignment and transfer to the Security Trustee of said Rentals due and to become due under the Lease shall be effective and operative immediately and shall continue in full force and effect and the Security Trustee shall have the right to collect and receive said Rentals for application in accordance with the provisions of Section 4 hereof at all times during the period from and after the date of this Security Agreement until the Indebtedness Hereby Secured has been fully paid and discharged.

DIVISION III

All property of any kind that may hereafter be conveyed by the Debtor, or by anyone on its behalf and with its consent, to the Security Trustee as Trustee hereunder including, without limitation, the Escrowed Funds referred to in Section 6.05 hereof, the Security Trustee being hereby authorized to receive any property so conveyed and to hold it as additional security hereunder, subject to all provisions hereof not inconsistent with the terms of such conveyance.

The Security Trustee, its successors in trust and assigns shall have and hold the Collateral forever; IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth, for the equal and proportionate benefit, security and protection of all present and future holders of the Notes outstanding under the Loan Agreement from and after the issuance of the Notes, without preference, priority or distinction of any Note over any other Note by reason of priority at the time of issue, sale, negotiation, date of maturity thereof or otherwise or any cause

whatsoever; provided, always, however, that such security interest is granted upon the express condition that if the Debtor shall pay or cause to be paid all the Indebtedness Hereby Secured and shall observe, keep and perform all the terms and conditions, covenants and agreements herein and in the Loan Agreements and the Notes contained, then these presents and the estate hereby granted and conveyed shall cease and this Security Agreement shall become null and void; otherwise to remain in full force and effect.

SECTION 1. THE NOTES: REGISTRATION: TRANSFERS, ETC.

1.01. The Notes.

The Notes shall be limited to \$3,200,000 in aggregate principal amount, shall be dated the date of issue, shall bear interest at the rate of 9-5/8% per annum prior to maturity (computed on the basis of a 360-day year of twelve 30-day months), shall be expressed to mature in one installment of interest only at a rate equal to 9-5/8% per annum for the period from and including the Deposit Date to, but not including, the Delivery and Closing Date, payable on the Delivery and Closing Date, followed by 179 equal consecutive installments of principal and interest payable monthly on the same day of each and every month following the Delivery and Closing Date with a final installment payable 15 years following the Delivery and Closing Date, if not sooner paid, in an amount equal to the entire balance of principal and interest remaining unpaid as of said date (each such payment date being hereinafter referred to as a "Payment Date"), and shall be otherwise substantially in the form attached hereto as Exhibit 1.

1.02. Application of Payments.

All monthly installment payments required to be made on the Notes shall be first applied to the payment of interest on the principal amount from time to time outstanding on the Notes and the remainder to the reduction of the principal balance thereof. Any prepayment of principal on the Notes shall be applied to the reduction of principal then remaining unpaid, but any such additional payment shall not relieve or discharge the Company from liability for making the payment on the next succeeding Payment Date or Payment Dates thereafter as herein provided, nor reduce the amount of such installment except as hereinafter provided in Section 4.02(c) hereof.

1.03. Registration, Transfer and Exchange of Notes.

(a) The Debtor shall cause to be kept at the corporate trust office of the Security Trustee a register for the registration and registration of the transfer of the Notes (the "Register") and, upon presentation at such office for such purpose, the Debtor will, under such reasonable regulations as it may prescribe, cause to be registered or transferred thereon Notes as herein provided. The Debtor hereby appoints the Security Trustee its Note Registrar to register Notes and to register the transfer of Notes as herein provided.

(b) Whenever any Note shall be surrendered for transfer at the corporate trust office of the Security Trustee, together with a written instrument of transfer, in form approved by the Security Trustee, duly executed by the registered owner, or by his attorney authorized in writing, the Debtor shall execute, and the Security Trustee shall authenticate and deliver in exchange therefor, a new Note or Notes of the same maturity for the same aggregate unpaid principal amount. All Notes so surrendered shall be promptly cancelled by the Security Trustee.

(c) The holder of any Note outstanding hereunder may surrender the same to be exchanged for Notes of different denominations. Upon cancellation of the surrendered Note, the Debtor shall execute and the Security Trustee shall register, authenticate and deliver in exchange therefor a like aggregate original principal amount of Notes of the same maturity date in the denomination of Fifty Thousand Dollars (\$50,000) each or any multiple thereof except that any principal amount of such surrendered Note in excess of a multiple of Fifty Thousand Dollars (\$50,000) shall be evidenced by a Note in principal amount equal to such excess, provided, however, any Notes so delivered in exchange may be in any denominations approved by the Debtor.

1.04. Payment of the Notes.

(a) The principal of, premium, if any, and interest on the Notes shall be payable at the principal corporate trust office of the Security Trustee, in lawful money of the United States of America. Payment of principal and interest on the Notes shall be made only upon presentation of such Notes to the Security Trustee for notation thereon of the amount of such payment.

(b) Notwithstanding the foregoing provisions of paragraph (a) of this Section 1.04, if any Note is registered in the name of the Lender or a nominee thereof, or registered in the name of any subsequent holder named in a written notice from the Debtor to the Security Trustee and stating that the provisions of this paragraph shall apply, the Security Trustee shall make payment of interest on such Notes and shall make payments or prepayments (except in the case of a payment or prepayment which will discharge all indebtedness of the Debtor evidenced by such Note) of the principal thereof, and any premium, by check, duly mailed, by first-class mail, postage prepaid, or delivered to such holder at its address appearing on the register referred to in Section 1.03(a) hereof and such holder (or the person for whom such holder is a nominee) will, before selling, transferring or otherwise disposing of such Note, present such Note to the Security Trustee for transfer as provided in Section 1.03 hereof. All payments so made shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sums so paid. The Security Trustee is authorized to act in accordance with the foregoing provisions and shall not be liable or responsible to any such holder or to the Debtor or to any other Person for any act or omission on the part of the Debtor or such holder in connection therewith.

(c) So long as any Note is registered in the name of the Lender or a nominee thereof, the Security Trustee will, upon written notice from the Lender or its nominee given not less than 20 days prior to the payment or prepayment of the Notes, cause all subsequent payments and prepayments of the principal of, and interest and premium, if any, on the Notes registered in the name of such Lender or its nominee to be made to any bank in the continental United States as shall be specified in such notice by wire transfer to such bank in immediately available Federal Reserve funds on each such date such payment or prepayment is due; provided, however, that the Security Trustee will (unless and until the Security Trustee has received other instructions from the Lender by notice given in accordance with this Section) without the notice required by this paragraph (c) make all such payments or prepayments of the principal of, and interest and premium, if any, on the Notes registered in the name of the Lender or a nominee thereof by wire transfer in the manner aforesaid to the bank account designated for the Lender on page 1 of the Loan Agreement, marked for attention as indicated.

1.05. Persons Deemed Owners.

The Debtor and the Security Trustee may treat the Person in whose name any Note shall be registered upon the books of the Security Trustee as the absolute owner of such Note for the purpose of receiving payment of or on account of the principal of and interest on such Note and for all other purposes, whether or not such Note shall be overdue; and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sum or sums so paid, and neither the Debtor nor the Security Trustee shall be affected by any notice to the contrary.

1.06. Charges or Exchanges.

Any exchange or transfer of Notes shall be made at the Debtor's own expense.

1.07. Execution, Authentication and Delivery of Notes.

(a) The Notes shall be executed on behalf of the Debtor by its President or a Vice President, under its corporate seal attested by its Secretary or an Assistant Secretary, or by such other form of execution as may be prescribed by a resolution of its Board of Directors.

(b) The Notes when executed shall be delivered to the Security Trustee for authentication; and the Security Trustee shall authenticate and deliver said Notes as in this Security Agreement provided and not otherwise. Only such Notes as shall bear thereon a certificate of authentication substantially in the form and text set forth in Exhibit 1 attached hereto, executed by the Security Trustee, shall be secured by this Security Agreement or be entitled to any lien, right or benefit hereunder; and such authentication by the Security Trustee upon any Note shall be conclusive evidence that such Note has been duly authenticated and delivered hereunder.

1.08. Mutilated, Lost, Stolen and Destroyed Notes.

(a) A mutilated Note may be surrendered to the Debtor or the Security Trustee and thereupon the Debtor shall execute and the Security Trustee shall register, authenticate and deliver in exchange therefor a new Note of like tenor and principal amount. The Security Trustee shall cancel the mutilated Note.

(b) If there be delivered to the Debtor and to the Security Trustee such security or indemnity as may be required to save each of them harmless, then in the absence of notice to the Debtor or the Security Trustee that such Note has been acquired by a bona fide purchaser, the Debtor shall execute and upon its request, the Security Trustee shall register, authenticate and deliver in lieu of any such destroyed, lost or stolen Note, a new Note of like tenor and principal amount. If the holder of any such lost, stolen or destroyed Note is an institutional investor, then such holder's own agreement of indemnity shall be deemed to be satisfactory.

(c) If any such mutilated, lost, stolen or destroyed Note shall have matured or will mature not more than 10 days thereafter, instead of issuing a substitute Note, the Debtor, with the consent of the Security Trustee, may pay the same. Any new Note issued under this Section in lieu of any Note alleged to have been lost, stolen or destroyed shall constitute an additional original contractual obligation of the Debtor whether or not the Note alleged to have been lost, stolen or destroyed shall be at any time enforceable by anyone; and such new Note shall be entitled to the lien, security and benefits of this Security Agreement equally and ratably with all other Notes hereby secured. The Debtor and the Security Trustee, in their discretion, may place upon any such new Note a legend, but such legend shall in nowise affect the validity of such Note. The Debtor may at its option require the payment of a sum sufficient to reimburse it for any stamp tax or other governmental charge in connection with the issuance of any such new Note.

(d) Any Note in lieu of which another Note has been authenticated and delivered as permitted in Section 1.08(b) shall not be treated as an indebtedness for any purpose hereunder and the Debtor shall not be required to pay or provide for payment of same unless prior to satisfaction and discharge of this Security Agreement, such Note has been presented to the Security Trustee with a claim of ownership and enforceability by the person possessing such Note and the enforceability of such Note, if contested by the Debtor, has been determined in favor of such person by a court of competent jurisdiction.

1.09. Cancellation.

All Notes when fully paid as to principal and interest shall be surrendered to the Security Trustee and promptly cancelled, and a certificate of such cancellation shall be delivered to the Debtor. No Notes shall be authenticated in lieu of cancelled Notes or in exchange therefor except as permitted by this Security Agreement.

SECTION 2. COVENANTS AND WARRANTIES OF THE DEBTOR.

The Debtor covenants, warrants and agrees as follows:

2.01. Debtor's Duties.

The Debtor covenants and agrees well and truly to perform, abide by and to be governed and restricted by each and all of the terms, provisions, restrictions, covenants and agreements set forth in the Loan Agreement, and in each and every supplement thereto or amendment thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns, to the same extent as though each and all of said terms, provisions, restrictions, covenants and agreements were fully set out herein and as though any amendment or supplement to the Loan Agreement were fully set out in an amendment or supplement to this Security Agreement.

2.02. Warranty of Title.

The Debtor owns and is possessed of the Equipment free of all Liens other than Permitted Encumbrances, and owns and is possessed of the Collateral other than the Equipment free of all Liens, and has full power and lawful authority to grant a security interest in, assign, transfer, deliver and pledge the Collateral. As long as any Notes are outstanding hereunder, the Debtor will not subject the Collateral to any Lien. The Debtor hereby does and will forever warrant and defend the title to the Collateral against the claims and demands of all persons whomsoever.

2.03. Further Assurances.

The Debtor will, at its own expense, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired. Without limiting the foregoing but in furtherance of the security interest herein granted in the Rentals under the Lease, the Debtor covenants and agrees that it will notify the Lessee of this Security Agreement as provided in Section 16 of the Lease and will direct the Lessee to make all payments of Rentals under the Lease directly to the Security Trustee or as the Security Trustee may direct.

2.04. After-acquired Property.

Any and all property described or referred to in the granting clauses hereof which is hereafter acquired shall ipso facto, and without any further conveyance, assignment or act on the part of the Debtor or the Security Trustee, become and be subject to the security interest herein granted as fully and completely as though specifically described herein, but nothing in this Section 2.04 contained shall be deemed to modify or change the obligation of the Debtor under Section 2.03 hereof.

2.05. Recordation and Filing.

The Debtor will cause this Security Agreement and all supplements hereto, the Lease and all supplements thereto, and all financing and continuation statements and similar notices required by applicable law, at all times to be kept, recorded and filed at its own expense in such manner and in such places as may be required by law in order fully to preserve and protect the rights of the Security Trustee hereunder, and will at its own expense furnish to the Security Trustee, promptly after the execution and delivery of this Security Agreement and of each supplemental Security Agreement, an opinion of counsel stating that in the opinion of such counsel this Security Agreement or such supplement, as the case may be, has been properly recorded or filed for record so as to make effective of record the security interest intended to be created hereby.

2.06. Modifications of the Lease.

The Debtor will not:

(a) declare a default or exercise the remedies of the Lessor under, or terminate, modify or accept a surrender of, or offer or agree to any termination, modification or surrender of, the Lease or by affirmative act consent to the creation or existence of any Lien upon the leasehold estate created by the Lease or any part thereof (other than Permitted Encumbrances); or

(b) receive or collect or permit the receipt or collection of any payment of Rental under the Lease prior to the date the same shall be due and payable pursuant to the provisions of the Lease or assign, transfer or hypothecate (other than to the Security Trustee hereunder) any payment of Rental then due or to accrue in the future under the Lease in respect of the Equipment; or

(c) sell, mortgage, transfer, assign or hypothecate (other than to the Security Trustee hereunder) its interest in the Equipment or any part thereof or in any amount to be received by it from the use or disposition of the Equipment.

2.07. Power of Attorney in Respect of the Lease.

The Debtor does hereby irrevocably constitute and appoint the Security Trustee, its true and lawful attorney with full power of substitution, for it and in its name, place and stead, to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for any and all Rental and other sums which are assigned under the granting clauses hereof with full power to settle, adjust or compromise any claim thereunder as fully as the Debtor could itself do, and to endorse the name of the Debtor on all commercial paper given in payment or in part payment thereof, and in its discretion to file any claim or take any other action or proceedings, either in its own name or in the name of the Debtor or otherwise, which the Security Trustee may deem necessary or appropriate to protect and preserve the right, title and interest of the Security Trustee in and to such Rental and other sums and the security intended to be afforded hereby.

2.08. Payment of Indebtedness.

The Debtor will promptly pay the Indebtedness Hereby Secured as and when the same or any part thereof becomes due (whether by lapse of time, declaration, demand or otherwise).

2.09. Maintenance of Corporate Existence.

The Debtor will preserve and keep in full force and effect its corporate existence, rights and franchises and all licenses and permits necessary to the performance of its obligations hereunder, except as otherwise provided in Section 2.10.

2.10. Restrictions on Mergers, Consolidations and Sales of Assets.

The Debtor will not sell, lease, transfer or otherwise dispose of all or a substantial portion of its corporate property or assets to any person, firm or corporation or consolidate with or merge into any other corporation or permit another corporation to merge into it unless (i) the successor formed by or resulting from such consolidation or merger or to which such sale, lease or other disposition shall have been made shall be a solvent corporation organized under the laws of the United States of America or a State thereof or the District of Columbia; (ii) such successor corporation (if other than the Debtor) shall assume all of the Debtor's obligations under this Security Agreement, the Notes, the Loan Agreement and the Lease; and (iii) immediately after such merger, sale, lease or other disposition, such successor corporation shall not be in default in the performance or observance of any of the covenants, agreements or conditions contained in the Loan Agreement, this Security Agreement or the Lease.

SECTION 3. POSSESSION, USE AND RELEASE OF PROPERTY.

3.01. Possession of Collateral.

If and so long as no Default or Event of Default has occurred and is continuing, the Debtor shall be suffered and permitted to remain in full possession, enjoyment and control of the Equipment and to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto, provided, always that the possession, enjoyment, control and use of the Equipment shall at all times be subject to the

observance and performance of the terms of this Security Agreement. It is expressly understood that the use and possession of an Item of Equipment by the Lessee under and subject to the Lease shall not constitute a violation of this Section 3.01.

3.02. Release of Equipment -- Payment of Casualty Value by Lessee.

So long as no Event of Default under the Lease has occurred and is continuing to the knowledge of the Security Trustee, the Security Trustee shall execute a release in respect of any Item of Equipment when designated by the Lessee for a cash settlement pursuant to Section 11 of the Lease upon receipt of: (i) written notice from the Lessee pursuant to Section 11.2 of the Lease, and (ii) settlement by the Lessee for the Equipment in compliance with Section 11.3 of the Lease.

3.03. Release of Equipment -- Consent of Noteholders.

In addition to the sale, exchange or release pursuant to the foregoing Section 3.02, the Debtor may sell or otherwise dispose of any Item of Equipment then subject to the lien of this Security Agreement, and the Security Trustee shall release the same from the lien hereof to the extent and on the terms and upon compliance with the conditions provided for in any written consent given thereto at any time or from time to time by the Noteholders.

3.04. Protection of Purchaser.

No purchaser in good faith of property purporting to be released hereunder shall be bound to ascertain the authority of the Security Trustee to execute the release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority; nor shall any purchaser, in good faith, of any item or unit of the mortgaged property be under obligation to ascertain or inquire into the conditions upon which any such sale is hereby authorized.

SECTION 4. APPLICATION OF CERTAIN MONEYS RECEIVED BY THE SECURITY TRUSTEE: PREPAYMENTS.

4.01. Prepayments.

Except to the extent provided for in this Section 4, the Notes shall not be subject to prepayment or redemption in whole or in part at the option of the Debtor prior to the expressed maturity dates thereof.

4.02. Application of Moneys.

As more fully set forth in the granting clauses hereof, the Debtor has hereby granted to the Security Trustee a security interest in Rentals due and to become due under the Lease in respect of the Equipment as security for the Notes. So long as no Default or Event of Default has occurred and is continuing to the knowledge of the Security Trustee:

(a) Fixed Rentals. The amounts from time to time received by the Security Trustee which constitute payment of the installments of Fixed Rental under the Lease shall be applied first, to the payment of the installment or installments of principal and interest on the Notes which have matured or will mature on or before the due date of the installments of Fixed Rental which are received by the Security Trustee and second, the balance, if any, of such amounts shall be paid to or upon the order of the Debtor on such due date.

(b) Casualty Value. The amounts from time to time received by the Security Trustee which constitute payment by the Lessee of the "Casualty Value" for any Item of Equipment (as defined in Section 11.6 of the Lease) pursuant to Section 11.3 of the Lease and interest due on any late payment of rent with respect to such Item of Equipment pursuant to clause (iii) of Section 11.3 of the Lease shall be paid and applied on the Notes on the next succeeding payment Date not less than 10 days after the notice required by Section 4.03 hereof has been given by the Security Trustee as follows:

(i) An amount equal to the aggregate Loan Value of the Item or Items of Equipment in respect of which such Casualty Value payments were received shall be applied to the prepayment of the principal remaining unpaid on the Notes and any excess amount shall be applied to the payment of accrued and unpaid interest, if any, on the portion of the principal amount of

the Notes so prepaid; and

(ii) Each of the remaining installments of the Notes shall be reduced in the proportion that the principal amount of the prepayment bears to the unpaid principal amount of the Notes immediately prior to the prepayment.

Any amounts in excess of the amounts applied to the payment of principal and interest on the Notes pursuant to clause (i) hereof shall be paid to or upon the order of the Debtor.

The "Loan Value" of an Item of Equipment as of any date shall be the amount which bears the same relationship to the unpaid principal amount of the Notes as of such date as the Original Loan Value of such Item of Equipment bears to the original aggregate principal amount of the Notes. The "Original Loan Value" of an Item of Equipment shall be the amount determined by dividing the original aggregate principal amount of the Notes by the total number of Items of Equipment described on Schedule A hereto.

(c) Insurance Proceeds. The amounts received by the Security Trustee from time to time which constitute proceeds of insurance maintained by the Lessee in respect of the Equipment shall be held by the Security Trustee as a part of the Collateral and shall be applied by the Security Trustee from time to time to any one or more of the following purposes:

(1) Repair or Replacement. If no Event of Default under the Lease and no event, which with the lapse of time, the giving of notice, or both, would constitute an Event of Default under the Lease, shall have occurred and be continuing to the knowledge of the Security Trustee, the proceeds of such insurance shall, if the Items of Equipment which were lost, damaged or destroyed are to be repaired, restored or replaced, be released to the Debtor to reimburse the Lessee for expenditures made for such repair, restoration or replacement of such Items of Equipment upon receipt by the Security Trustee of: (i) a certificate of the President, any Vice President or the Treasurer of the Lessee showing in reasonable detail the purpose for which the expenditures were made and the actual cash expenditures made for such purpose and stating that no Event of Default under the Lease and no event, which with the lapse of time,

the giving of notice, or both, would constitute an Event of Default under the Lease has occurred and is continuing, and (ii) a supplement hereto sufficient, as shown by an opinion of counsel (which may be counsel for the Debtor or the Lessee) in form and content satisfactory to the Security Trustee, to grant a security interest in any additions to or substitutions for the Items of Equipment to the Security Trustee, which opinion shall also cover the filing and/or recording of such supplement so as to perfect the security interest in such additions or substitutions, or in the alternative, an opinion that no such supplement is required for such purpose; and

(2) Application of Notes. If the insurance proceeds shall not have been released to the Debtor pursuant to the preceding paragraph (1) within six months from the receipt thereof by the Security Trustee, then so long as no Default or Event of Default shall have occurred and be continuing to the knowledge of the Security Trustee, the insurance proceeds shall be applied by the Security Trustee on the first Payment Date occurring not less than six months after receipt thereof as follows:

(i) First, to the prepayment of the Notes without regard to any limitation as to the minimum amount of prepayment, all in the manner provided for by Section 4.02(c) hereof; and

(ii) Second, the balance, if any, of such insurance proceeds held by the Security Trustee after making the application provided for by the preceding subparagraph (i) shall be released to or upon the order of the Debtor.

4.03. Notice of Prepayment: Partial Prepayment: Termination of Interest.

(a) In the case of any prepayment of the Notes, notice thereof in writing to the holders of the Notes to be prepaid shall be sent by the Security Trustee as agent and attorney-in-fact of the Debtor by certified or registered mail, postage prepaid, to the holder of each Note to be prepaid, at least 10 days prior to the date fixed for prepayment. Any notice

so mailed shall be conclusively presumed to have been given to such holder whether or not such holder actually receives such notice. Such notice shall specify the date fixed for prepayment, the provision hereof under which such prepayment is being effected and that on the date fixed for prepayment there will become due and payable upon each Note or portion thereof so to be prepaid at the place where the principal of the Notes to be prepaid is payable, the specified amount of principal thereof, together with the accrued interest to such date, with such premium, if any, as is payable thereon and after such date interest thereon shall cease to accrue.

(b) In the event of any partial prepayment of the Notes, the aggregate principal amount of the Notes to be prepaid shall be prorated by the Security Trustee among the holders thereof in proportion to the unpaid principal amount of such Notes held by them and the Security Trustee shall designate the portions of the Notes of each such holder to be prepaid.

(c) On or prior to the date fixed for any prepayment of Notes the moneys required for such prepayment shall be deposited with the Security Trustee by the Debtor. Interest on any Note designated for prepayment or on any portion of the principal amount of any Note designated for prepayment shall cease upon the date fixed for prepayment unless default shall be made in the payment of the amount payable upon the prepayment thereof.

4.04. Amortization Schedules.

Concurrently with the notice of any partial prepayment of any Note, the Debtor shall deliver to the Security Trustee two copies of any amortization schedule with respect to such Note setting forth the amount of the installment payments to be made on such Note after the date of such partial prepayment and the unpaid principal balance of such Note after each such installment payment. The Security Trustee shall deliver, or send by first class mail, postage prepaid, one such copy of the applicable schedule to the holder of such Note at its address set forth in the Register.

4.05. Default.

If an Event of Default has occurred and is continuing, all amounts received by the Security Trustee pursuant to the granting clauses hereof shall be applied in the manner provided for in Section 5 in respect of proceeds and avails of the

Collateral.

SECTION 5. EVENTS OF DEFAULT.

5.01. Nature of Events.

An "Event of Default" shall exist if any of the following occurs and is continuing:

(a) Default in payment of an installment of the principal of, or interest on, any Note when and as the same shall become due and payable, whether at the due date thereof or at the date fixed for prepayment or by acceleration or otherwise and such default shall continue for more than five days [provided, however, that the Debtor shall be entitled to an additional five-day grace period with respect to any two monthly installments of principal and interest on the Notes which become due during any "lease year" (which shall mean for the purposes hereof, the 12-month period commencing with the Term Lease Commencement Date set forth in Schedule A to the Lease and each of the succeeding 12-month periods thereafter during the term of the Lease)]; or

(b) An "Event of Default" as set forth in Section 14 of the Lease; or

(c) Default on the part of the Debtor in the due observance or performance of any covenant or agreement to be observed or performed by the Debtor under this Security Agreement or the Loan Agreement, and such default shall continue unremedied for 30 calendar days after written notice thereof from the Security Trustee or the holder of any Note to the Debtor; or

(d) Any representation or warranty made herein or in the Loan Agreement or in any report, certificate, financial or other statement furnished in connection with this Security Agreement or the Loan Agreement, or the transactions contemplated therein shall prove to be false or misleading in any material respect; or

(e) Any Lien (other than a Permitted Encumbrance) shall be asserted against or levied or imposed upon the Equipment which is prior to or on a parity with the security interest granted hereunder, and such Lien shall not be discharged or removed within 30 calendar days after written notice from the Security Trustee or the holder of any Note to the Debtor and

the Lessee demanding the discharge or removal thereof; or

(f) The Debtor becomes insolvent or bankrupt or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors or applies or consents to the appointment of a trustee or receiver for the Debtor or for the major part of its property; or

(g) A trustee or receiver is appointed for the Debtor or for the major part of its property and is not discharged within 60 days after such appointment; or

(h) Bankruptcy, reorganization, arrangement, insolvency, or liquidation proceedings, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors, are instituted by or against the Debtor and, if instituted against the Debtor, are consented to or are not dismissed within 60 days after such institution.

5.02. Security Trustee's Rights.

When any Event of Default has occurred and is continuing the Security Trustee shall have the rights, options, duties and remedies of a secured party, and the Debtor shall have the rights and duties of a debtor, under the Uniform Commercial Code of Illinois (regardless of whether such Code or law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) and without limiting the foregoing, the Security Trustee may exercise any one or more or all, and in any order, of the remedies hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies, but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute:

(a) The Security Trustee may, and upon the written request of the holders of 25% of the principal amount of the Notes then outstanding shall, by notice in writing to the Debtor declare the entire unpaid balance of the Notes to be immediately due and payable; and thereupon all such unpaid balance, together with all accrued interest thereon (but without premium), shall be and become immediately due and payable.

(b) Subject always to the then existing rights, if any, of the Lessee under the Lease, the Security Trustee personally or by agents or attorneys, shall have the right (subject to compliance with any applicable mandatory legal requirements) to take immediate possession of the Collateral, or any portion thereof, and for that purpose may pursue the same wherever it may be found, and may enter any of the premises of the Debtor, with or without notice, demand, process of law or legal procedure, if this can be done without breach of the peace, and search for, take possession of, remove, keep and store the same, or use and operate or lease the same until sold.

(c) Subject always to the then existing rights, if any, of the Lessee under the Lease, in the event the Security Trustee shall demand possession of the Equipment then, without limiting the provisions of paragraph (b) hereof, the Debtor shall forthwith deliver possession of the Equipment to the Security Trustee in good order and repair, ordinary wear excepted. For the purpose of delivering possession of any Equipment to the Security Trustee as above required, the Debtor shall, at its own cost and expense, forthwith:

(1) Assemble and place such Equipment upon storage tracks in the state of Illinois or Indiana (or such other place or places as the parties hereto shall agree in writing) as the Security Trustee shall designate;

(2) Provide storage at the risk of the Debtor for such Equipment on such tracks for a period not exceeding 180 days after written notice has been given to the Security Trustee specifying the place of storage and the car numbers of the Items of Equipment so stored; and

(3) Deliver any Item of Equipment at any time within such 180 days' period to any connecting carrier on tracks at any place within Indiana or Illinois for shipment, all as the Security Trustee may direct.

The assembling, delivery and storage of the Equipment as hereinabove provided are of the essence of this Security Agreement, and upon application to any court of equity having jurisdiction in the premises, the Security Trustee shall be entitled to a decree against the Debtor requiring specific performance of the covenants of the Debtor so to assemble, deliver and store the Equipment.

(d) Subject always to the then existing rights, if any, of the Lessee under the Lease, the Security Trustee may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Debtor once at least ten days prior to the date such sale, and any other notice which may be required by law, sell and dispose of said Collateral, or any part thereof, at public auction to the highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Security Trustee may determine, and at any place (whether or not it be the location of the Collateral or any part thereof) designated in the notice above referred to. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further published notice, and the Security Trustee or the holder or holders of Notes, or of any interest therein, may bid and become the purchaser at any such sale.

(e) The Security Trustee may proceed to protect and enforce this Security Agreement and said Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted; or for foreclosure hereunder, or for the appointment of a receiver or receivers for the mortgaged property or any part thereof, or for the recovery of judgment for the Indebtedness Hereby Secured or for the enforcement of any other proper, legal or equitable remedy available under applicable law.

(f) Subject always to the then existing rights, if any, of the Lessee under the Lease, the Security Trustee may proceed to exercise all rights, privileges and remedies of the Debtor under the Lease and may exercise all such rights and remedies either in the name of the Security Trustee or in the name of the Debtor for the use and benefit of the Security Trustee.

5.03. Acceleration Clause.

In case of any sale of the Collateral, or of any part thereof, pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Security Agreement, the principal of the Notes, if not previously due, and the interest accrued thereon, shall at once become and be immediately due and payable; also in the case of any such sale, the purchaser or purchasers, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Notes and any claims for interest matured and unpaid thereon, in order that there may be credited as paid on the purchase price the sum apportionable and applicable to the Notes including principal and interest thereof out of the net proceeds of such sale after allowing for the proportion of the total purchase price required to be paid in actual cash.

5.04. Waiver by Debtor.

The Debtor covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, nor claim, take, nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisement of the Collateral or any part thereof, prior to any sale or sales thereof to be made pursuant to any provision herein contained, or to the decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and hereby expressly waives for itself and on behalf of each and every person, except decree or judgement creditors of the Debtor acquiring any interest in or title to the Collateral or any part thereof subsequent to the date of this Security Agreement, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Security Trustee, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted.

5.05. Effect of Sale.

Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Debtor in and to the property sold and shall be a perpetual bar, both at law and in equity, against the Debtor, its successors and assigns, and against any and all persons claiming the property sold or any part thereof under, by or through the Debtor, its successors or assigns (subject, however, to the then existing rights, if any, of the Lessee under the Lease).

5.06. Application of Sale Proceeds.

The proceeds and/or avails of any sale of the Collateral, or any part thereof, and the proceeds and the avails of any remedy hereunder shall be paid to and applied as follows:

(a) First, to the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all proper expenses, liability and advances, including legal expenses and attorneys' fees, incurred or made hereunder by the Security Trustee, or the holder or holders of the Notes and of all taxes, assessments or liens superior to the lien of these presents, except any taxes, assessments or other superior lien subject to which said sale may have been made;

(b) Second, to the payment to the holder or holders of the Notes of the amount then owing or unpaid on the Notes for principal and interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Notes, then ratable according to the aggregate of such principal and the accrued and unpaid interest with application on each Note to be made, first, to the unpaid principal thereof, and second, to unpaid interest thereon; and

(c) Third, to the payment of the surplus, if any, to the Debtor, its successors and assigns, or to whomsoever may be lawfully entitled to receive the same.

5.07. Discontinuance of Remedies.

In case the Security Trustee shall have proceeded to enforce any right under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been

determined adversely, then and in every such case the Debtor, the Security Trustee and the holders of the Notes shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Security Agreement.

5.08. Cumulative Remedies.

No delay or omission of the Security Trustee or of the holder of any Note to exercise any right or power arising from any default on the part of the Debtor, shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Security Trustee, or the holder of any Note, of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. No remedy hereunder is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Security Agreement operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder, nor shall the Security Trustee or holder of any of the Notes be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

SECTION 6. THE SECURITY TRUSTEE.

The Security Trustee accepts the trust hereunder and agrees to perform the same, but only upon the terms and conditions hereof, including the following, to all of which the Debtor and the respective holders of the Notes at any time outstanding by their acceptance thereof agree:

6.01. Certain Duties and Responsibilities of Security Trustee.

(a) Except during the continuance of an Event of Default:

(1) the Security Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Security Agreement, and no implied covenants or obligations shall be read into this Security Agreement against the Security Trustee; and

(2) in the absence of bad faith on its part, the Security Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Security Trustee and conforming to the requirements of this Security Agreement; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Security Trustee, the Security Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Security Agreement.

(b) Within 30 days after the Security Trustee has knowledge of the occurrence of any default hereunder, the Security Trustee shall send notice to all holders of the Notes of such default unless the same shall have been cured or waived.

(c) In case an Event of Default has occurred and is continuing, the Security Trustee shall exercise such of the rights and powers vested in it by this Security Agreement for the benefit of the holders of the Notes, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(d) No provision of this Security Agreement shall be construed to relieve the Security Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(1) this subsection shall not be construed to limit the effect of subsection (a) of this Section;

(2) the Security Trustee shall not be liable for any error of judgment made in good faith by an officer of the Security Trustee unless it shall be proved that the Security Trustee was negligent in ascertaining the pertinent facts; and

(3) the Security Trustee shall not be liable to the holder of any Note with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of 66-2/3% in principal amount of the Notes outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Security Trustee, or exercising any trust or power conferred upon the Security Trustee under this Security Agreement.

(e) No provision of this Security Agreement shall require the Security Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(f) Whether or not therein expressly so provided, every provision of this Security Agreement relating to the conduct or affecting the liability of or affording protection to the Security Trustee shall be subject to the provisions of this Section.

6.02. Rights to Compensation and Indemnification; Lien Therefor.

(a) The Debtor covenants to pay to the Security Trustee such compensation for its services hereunder as shall be agreed to by the Debtor and the Security Trustee or, in the absence of such agreement, reasonable compensation therefor (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust), and to pay, or reimburse, the Security Trustee for all reasonable expenses incurred hereunder, including the reasonable compensation, expenses and disbursements of such agents, representatives, experts and counsel as the Security Trustee may employ in connection with the exercise and performance of its power and duties hereunder.

(b) The Debtor will also indemnify and save the Security Trustee harmless against any liabilities, not arising from the Security Trustee's own default or negligence or bad faith, which it may incur in the exercise and performance of its rights, powers and trusts, duties and obligations hereunder.

(c) As security for such compensation, expenses, disbursements and indemnification, the Security Trustee shall have the benefit of the lien hereby created in priority to the indebtedness evidenced by the Notes issued hereunder.

6.03. Certain Rights of Security Trustee.

(a) The Security Trustee shall not be responsible for any recitals herein or in the Loan Agreement or for insuring the Equipment, or for paying or discharging any tax, assessment, governmental charge or lien affecting the Collateral, or for the recording, filing or refiling of this Security Agreement, or of any supplemental or further mortgage or trust deed, nor shall the Security Trustee be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements contained herein or in the Loan Agreement, and, except in the case of a default in the payment of the principal of, or interest or premium, if any, on any Note or a default of which the Security Trustee has actual knowledge, the Security Trustee shall be deemed to have knowledge of any default in the performance or observance of any such covenants, conditions or agreements only upon receipt of written notice thereof from the Debtor or from one of the holders of the Notes. The Security Trustee shall promptly notify all holders of Notes of any default of which the Security Trustee has actual knowledge. Upon receipt by the Security Trustee of such written notice from a holder of a Note, the Security Trustee shall promptly notify all other holders of Notes of such notice and the default referred to therein, by prepaid registered mail addressed to them at their addresses set forth in the Register.

(b) The Security Trustee makes no representation or warranty as to the validity, sufficiency or enforceability of this Security Agreement, the Notes, the Loan Agreement or any instrument included in the Collateral, or as to the value, title, condition, fitness for use of, or otherwise with respect to any Equipment or Item of Equipment or any substitute therefor. The Security Trustee shall not be accountable to anyone for the use or application of any of the Notes or the proceeds thereof or for the use or application of any property or the proceeds thereof which shall be released from the lien and security interest hereof in accordance with the provisions of this Security Agreement.

(c) The Security Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(d) Any request, direction or authorization by the Debtor shall be sufficiently evidenced by a request, direction or authorization in writing, delivered to the Security Trustee, and signed in the name of the Debtor by its Chairman of the Board, President, any Vice President, Treasurer or Secretary; and any resolution of the Board of Directors of the Debtor shall be sufficiently evidenced by a copy of such resolution certified by its Secretary or an Assistant Secretary to have been duly adopted and to be in full force and effect on the date of such certification, and delivered to the Security Trustee.

(e) Whenever in the administration of the trust herein provided for the Security Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate purporting to be signed by the Chairman of the Board, the President, any Vice President, the Treasurer or the Secretary of the Debtor and delivered to the Security Trustee, and such certificate shall be full warrant to the Security Trustee or any other person for any action taken, suffered or omitted on the faith thereof, but in its discretion the Security Trustee may accept, in lieu thereof, other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable.

(f) The Security Trustee may consult with counsel, appraisers, engineers, accountants and other skilled persons to be selected by the Security Trustee, and the written advice of any thereof within the scope of their respective areas of expertise shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(g) The Security Trustee shall be under no obligation to take any action to protect, preserve or enforce any rights or interests in the Collateral or to take any action towards the execution or enforcement of the trusts hereunder or otherwise hereunder, whether on its own motion or on the request of any other person, which in the opinion of the Security Trustee may involve loss, liability, or expense, unless the Debtor or one or more holders of the Notes outstanding shall offer and furnish reasonable security or indemnity against loss, liability and expense to the Security Trustee.

(h) The Security Trustee shall not be liable to the holder of any Note for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Security Agreement.

(i) The Security Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document, unless requested in writing to do so by the holders of not less than a majority in principal amount of the Notes then outstanding.

(j) The Security Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys.

(k) The provisions of paragraphs (c) to (j), inclusive, of this Section 6.03 shall be subject to the provisions of Section 6.01 hereof.

6.04. Showings Deemed Necessary by Security Trustee.

Notwithstanding anything elsewhere in this Security Agreement contained, the Security Trustee shall have the right, but shall not be required, to demand in respect of withdrawal of any cash, the release of any property, the subjection of any after-acquired property to the lien of this Security Agreement, or any other action whatsoever within the preview hereof, any showings, certificates, opinions, appraisals or other information by the Security Trustee deemed necessary or appropriate in addition to the matters by the terms hereof required as a condition precedent to such action.

6.05. Monies Held and Paid by Security Trustee: Investments.

(a) Except as provided in this Section 6.05, any monies at any time paid to or held by the Security Trustee hereunder until paid out by the Security Trustee as herein provided shall be held in trust for the purpose for which they were received, and may be deposited by the Security Trustee under such general conditions as may be prescribed by law in the Security Trustee's general banking department, and the Security Trustee shall be under no liability for interest on any monies received by them hereunder.

(b) **Escrow of Note Purchasers' Deposits: Investments.**
So long as, to the knowledge of the Security Trustee, no Event of Default under the Security Agreement shall have occurred and be continuing, the Security Trustee shall upon the written direction of the Debtor, invest and reinvest the funds advanced by the Lender on the Deposit Date (the "Escrowed Funds") in such of the following investments as the Debtor shall specify:

(1) Bonds or other obligations of the United States which as to principal and interest constitute direct obligations of the United States of America or are issued or guaranteed by any person controlled or supervised by and acting as an instrumentality of the United States pursuant to authority granted by the Congress of the United States and for which the full faith and credit of the United States Government is pledged to provide for the payment of principal and interest;

(2) Certificates of deposit issued by commercial banks which are members of the Federal Reserve System with capital and surplus of at least \$100,000,000, and which at the time of such investment have, or whose parent companies have, outstanding publicly-held debt securities rated "A" or better by a nationally recognized rating service; or

(3) Repurchase agreements fully secured by any one or more of the obligations referred to in clause (1) above; in each case of clauses (1) through (3) maturing in not more than 90 days from the date of such investment (such investments described in clauses (1) through (3) being hereinafter called "Investment(s)").

Upon any sale or payment at maturity of any Investment, the proceeds thereof, plus any interest received by the Security Trustee thereon, up to the purchase or investment price (including accrued interest and earned discount) and any fees, charges or expenses incurred in connection with such purchase or investment and the sale or other disposition thereof (hereinafter referred to as the "Investment Cost") shall be held by the Security Trustee for application pursuant to this Section 6.05, the balance, if any, of such proceeds or payment (plus interest and earned discount) shall, on the Cut-Off Date (as hereinafter defined), be remitted to the Debtor, unless an Event of Default under the Security Agreement shall have occurred and be continuing. If such proceeds (plus such interest and earned discount) shall be less than such Investment Cost, the Debtor will promptly pay to the Security Trustee an amount equal to such deficiency. Any payment in respect of such deficiency shall be held and applied by the Security Trustee in like manner as the proceeds of the sale or redemption of Investments.

(c) Disbursement of Escrowed Funds on Delivery and Closing Date. On such date during the month of March, 1979 as the Debtor shall designate to the Security Trustee as the date on which the Equipment is to be delivered and accepted under the Lease and purchased by the Debtor (the "Delivery and Closing Date"), the Security Trustee will, upon evidence satisfactory to it and Messrs. Chapman and Cutler of compliance with each of the requirements set forth in Section 3 of the Loan Agreement:

(1) disburse the Escrowed Funds for payment to the Debtor pursuant to the Loan Agreement, an amount equal to 80% of the Lessor's Cost of such Items of Equipment;

(2) if such moneys then on deposit as Escrowed Funds are insufficient to make the payments provided for in clause (1) above, promptly upon receipt of notice of the Delivery and Closing Date, sell such portion of the Investments as may be necessary in order to provide sufficient funds for such payment and use the funds so derived together with interest received on any Investment and any deficiency paid by the Debtor as contemplated by Section 6.05(b) and held by the Security Trustee, to make such payments as are provided in clause (1) above; and

(3) if such moneys then on deposit as Escrowed Funds are greater than the amount necessary to make the payments provided for in clause (1) above, the Security Trustee will, five business days immediately preceding the Delivery and Closing Date (i) notify the Lender of such excess, and (ii) distribute such excess on the Delivery and Closing Date to the Lender as a prepayment on the Note, without premium, in the manner provided in Section 1.04 of this Security Agreement. At the request of the Lender and upon surrender to the Debtor on the Delivery and Closing Date of the Note issued on the Deposit Date, the Debtor will issue and deliver a new Note, identical in all respects to said surrendered Note, but reflecting a principal amount and installments due and payable thereon and the due dates thereof revised after giving effect to such prepayment and the date of occurrence of the Delivery and Closing Date.

(d) Return of Funds on Cut-Off Date. If no Delivery and Closing Date has occurred on or prior to March 31, 1979, then the Security Trustee will, five business days immediately preceding March 31, 1979 (the "Cut-Off Date") (i) notify the Lender that no Delivery and Closing Date has been or will be designated by the Debtor on or prior to the Cut-Off Date and, accordingly, that the Escrowed Funds will be returned to the Lender, and (ii) distribute the entire amount of the Escrowed Funds to the Lender on the Cut-Off Date as a prepayment in full on the Note, without premium.

6.06. Resignation of Security Trustee.

The Security Trustee may resign and be discharged of the trusts hereby created by mailing notice specifying the date when such resignation shall take effect to the Debtor and to the holders of the Notes at their addresses set forth in the Register. Such resignation shall take effect on the date specified in such notice (being not less than thirty days after the mailing of such notice) unless previously a successor security trustee shall have been appointed as hereinafter provided, in which event such resignation shall take effect immediately upon the appointment of such successor.

6.07. Removal of Security Trustee.

The Security Trustee may be removed by an instrument or concurrent instruments in writing signed and acknowledged by the holders of a majority in principal amount of the Notes and delivered to the Security Trustee and to the Debtor.

6.08. Successor Security Trustee.

Each security trustee appointed in succession of the Security Trustee named in this Security Agreement, or its successor in the trust, shall be a trust company or banking corporation having an office in the City of Chicago, Illinois, in good standing and having a capital and surplus aggregating at least \$50,000,000 if there be such a trust company or banking corporation qualified, able and willing to accept the trust upon reasonable or customary terms.

6.09. Appointment of Successor Security Trustee.

In case at any time the Security Trustee shall resign or be removed or become incapable of acting, a successor security trustee may be appointed by the holders of a majority in aggregate principal amount of the Notes at the time outstanding, by an instrument or instruments in writing executed by such holders and filed with such successor security trustee.

Until a successor security trustee shall be so appointed by the holders of the Notes, a successor security trustee may be appointed by the Debtor by an instrument in writing executed by the Debtor and delivered to the successor security trustee, or upon application of the retiring security trustee, by any court of competent jurisdiction. Any successor security trustee appointed pursuant to this paragraph shall immediately and without further act be superseded by a successor security trustee appointed by the holders of a majority in aggregate principal amount of the Notes then outstanding.

6.10. Merger or Consolidation of Security Trustee.

Any company into which the Security Trustee, or any successor to it in the trust created by this Security Agreement, may be merged or converted or with which it or any successor to it may be consolidated or any company resulting from any merger or consolidation to which the Security Trustee or any successor to it shall be a party (provided such company shall be a corporation organized under the laws of the State of

Illinois or of the United States of America, having a capital and surplus of at least \$50,000,000), shall be the successor to the Security Trustee under this Security Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto. The Debtor covenants that in case of any such merger, consolidation or conversion it will, upon the request of the merged, consolidated or converted corporation, execute, acknowledge and cause to be recorded or filed suitable instruments in writing to confirm the estates, rights and interests of such corporation as security trustee under this Security Agreement.

6.11. Conveyance Upon Request of Successor Security Trustee.

Should any deed, conveyance or instrument in writing from the Debtor be required by any successor security trustee for more fully and certainly vesting in and confirming to such new security trustee such estates, rights, powers and duties, then upon request any and all such deeds, conveyances and instruments in writing shall be made, executed, acknowledged and delivered, and shall be caused to be recorded and/or filed, by the Debtor.

6.12. Acceptance of Appointment by Successor.

Any new security trustee appointed pursuant to any of the provisions hereof shall execute, acknowledge and deliver to the Debtor an instrument accepting such appointment; and thereupon such new security trustee, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers and trusts of its predecessor in the rights hereunder with like effect as if originally named as security trustee herein; but nevertheless, upon the written request of the Debtor or of the successor security trustee, the security trustee ceasing to act shall execute and deliver an instrument transferring to such successor security trustee, upon the trusts herein expressed, all the estates, properties, rights, powers and trusts of the security trustee so ceasing to act, and shall duly assign, transfer and deliver any of the property and monies held by such security trustee to the successor security trustee so appointed in its or his place.

6.13. Co-Trustees.

At any time, for the purpose of meeting any legal requirements of any jurisdiction in which any part of the Collateral may at the time be located, the Debtor and the

Security Trustee jointly shall have the power and shall execute and deliver all instruments, to appoint one or more persons approved by the Security Trustee, to act as co-trustee, or co-trustees, of all or any part of the Collateral, and to vest into such person or persons, in such capacity, such title to the Collateral or any part thereof, and such rights, powers, duties, trusts or obligations as the Debtor and the Security Trustee may consider necessary or desirable. If the Debtor shall not have joined in such appointment within 15 days after the receipt by it of a request so to do, or in case an Event of Default shall have occurred and be continuing, the Security Trustee alone shall have the power to make such appointment.

SECTION 7. SUPPLEMENTAL INDENTURES: WAIVERS.

7.01. Supplemental Indentures Without Noteholders' Consent.

The Debtor and the Security Trustee from time to time and at any time subject to the restrictions in this Security Agreement contained, may enter into an indenture or indentures supplemental hereto and which thereafter shall form a part hereof for any one or more or all of the following purposes:

(a) to add to the covenants and agreements to be observed by, and to surrender any right or power reserved to or conferred upon, the Debtor;

(b) to subject to the security interest of this Security Agreement additional property hereafter acquired by the Debtor and intended to be subjected to the security interest of this Security Agreement, and to correct and amplify the description of any property subject to the security interest of this Security Agreement;

(c) to permit the qualification of this Security Agreement under the Trust Indenture Act of 1939, as amended, or any similar Federal Statute hereafter in effect, except that nothing herein contained shall permit or authorize the inclusion of the provisions referred to in Section 316(a)(2) of said Trust Indenture Act of 1939 or any corresponding provision in any similar Federal statute hereafter in effect; or

(d) for any other purpose not inconsistent with the terms of this Security Agreement, or to cure any ambiguity or cure, correct or supplement any defect or inconsistent provisions of this Security Agreement or any supplement;

and the Debtor covenants to perform all requirements of any such supplemental indenture. No restriction or obligation imposed upon the Debtor may, except as otherwise provided in this Security Agreement, be waived or modified by such supplemental indentures, or otherwise.

7.02. Waivers and Consents by Noteholders: Supplemental Indentures with Noteholders' Consent.

Upon the waiver or consent of the holders of at least 66-2/3% in aggregate principal amount of the Notes (a) the Debtor may take any action prohibited or omit the taking of any action required, by any of the provisions of this Security Agreement or any indenture supplemental hereto, or (b) the Debtor and the Security Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding, changing or eliminating any provisions of this Security Agreement or of any indenture supplemental hereto or modifying in any manner the rights and obligations of the holders of the Notes and the Debtor; provided, that no such waiver or supplemental indenture shall (i) extend the time of payment (including any required prepayment) of the principal of or the interest and premium, if any, on any Note or reduce the principal amount thereof or change the rate of interest thereon, (ii) permit the creation of any lien or security interest with respect to any of the Collateral, without the consent of the holders of all the Notes at the time outstanding, (iii) effect the deprivation of the holder of any Note of the benefit of the security interest of this Security Agreement upon all or any part of the Collateral without the consent of such holder, (iv) reduce the aforesaid percentage of the aggregate principal amount of the Notes, the holders of which are required to consent to any such waiver or supplemental indenture pursuant to this Section, without the consent of the holders of all of the Notes at the time outstanding, or (v) modify the rights, duties or immunities of the Security Trustee, without the consent of the holders of all of the Notes at the time outstanding.

7.03. Notice of Supplemental Indentures.

Promptly after the execution by the Debtor and the Security Trustee of any supplemental indenture or agreement pursuant to the provisions of Section 7.01 or 7.02 hereof, the Security Trustee shall give written notice, setting forth in general terms the substance of such supplemental indenture, together with a conformed copy thereof, mailed, first-class, postage prepaid to each holder of the Notes and at the address set forth in the Register. Any failure of the Security Trustee to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of such supplemental indenture or agreement.

SECTION 8. INTERPRETATION OF THIS AGREEMENT.

8.01. Terms Defined.

As used in this Security Agreement, the following terms have the following respective meanings:

(a) The term "Affiliate" shall mean a Person (1) which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, the Company, (2) which beneficially owns or holds 5% or more of any class of the Voting Stock of the Company or (3) 5% or more of the Voting Stock (or in the case of a Person which is not a corporation, 5% or more of the equity interest) of which is beneficially owned or held by the Company or a Subsidiary. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

(b) The term "Casualty Occurrence" shall have the meaning specified in Section 11.2 of the Lease.

(c) The term "Casualty Value" shall have the meaning specified in Section 11.6 of the Lease.

(d) The term "Collateral" is defined in the Granting Clauses hereof.

(e) The term "Default" shall mean any event which would constitute an Event of Default if any requirement in connection therewith for the giving of notice, or the lapse of time, or the happening of any further condition, event or action has been satisfied.

(f) The term "Delivery and Closing Date" is defined in Section 6.05(c) hereof.

(g) The term "Deposit Date" is defined in Recital B hereof.

(h) The term "Equipment" or Items or Equipment" shall mean the railroad rolling stock described in Schedule A hereto, together with any accessories, equipment, parts and appurtenances, whether now owned or hereafter acquired. "Item" or "Item of Equipment" shall mean any one of said Items of Equipment.

(i) The term "Escrowed Funds" is defined in Section 6.05(b) hereof.

(j) The term "Event of Default" is defined in Section 5.01 hereof.

(k) The term "Fixed Rental" shall have the meaning specified in Section 2.1 of the Lease.

(l) The term "Indebtedness Hereby Secured" shall mean the Notes and all principal thereof and interest (and premium, if any) thereon and all additional amounts and other sums at any time due and owing from or required to be paid by the Debtor under the terms of the Notes, this Security Agreement or the Loan Agreement.

(m) The term "Lease" shall mean the Equipment Lease dated as of September 30, 1978 between the Debtor, as lessor, and Northern Indiana Public Service Company, an Indiana corporation, as lessee, substantially in the form attached hereto as Exhibit 2.

(n) The term "Lender" shall mean New England Mutual Life Insurance Company, as the lender under the Loan Agreement.

(o) The term "Lessor's Cost" with respect to any Item of Equipment shall mean the Lessor's Cost per Item of Equipment specified on Schedule A to the Lease.

(p) The term "Lessee" shall mean Northern Indiana Public Service Company, an Indiana corporation, and its successors and assigns.

(q) The term "Lien" shall mean any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on the common law, statute or contract, and including but not limited to the security interest lien arising from a mortgage, security agreement, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" shall include reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances affecting Property. For the purposes of this Agreement, a Person shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement or other arrangement pursuant to which title to the Property has been retained by or vested in some other person for security purposes.

(r) The term "Loan Agreement" shall mean the Loan Agreement dated as of September 30, 1978, as amended from time to time, between the Debtor and New England Mutual Life Insurance Company.

(s) The terms "Loan Value" and "Original Loan Value" of an Item of Equipment are defined in paragraph (c) of Section 4.02 hereof.

(t) The terms "Noteholder" and "Holder" shall mean the registered owner of a Note.

(u) The term "Payment Date" is defined in Section 1.01 hereof.

(v) The term "Permitted Encumbrances" shall mean, with respect to any Item of Equipment, but only to the extent applicable to such Item, (i) the right, title and interest of the Lessee under the Lease, (ii) any liens thereon for taxes, assessments, levies, fees and other governmental and similar charges not due and payable where the amount or validity of which is being contested in good faith by appropriate legal

proceedings and the non-payment thereof does not adversely affect the right, title and interest of the Security Trustee and (iii) the right, title and interest of the Security Trustee under this Security Agreement.

(w) The term "Person" shall mean an individual, partnership, corporation, trust or unincorporated organization, and a government or agency or political subdivision thereof.

(x) The term "Property" shall mean any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

(y) The term "Rentals" shall mean, for any Item of Equipment, the Fixed Rentals and Supplemental Rentals payable for such Item pursuant to the Lease, and for all Items of Equipment all such Fixed Rentals and Supplemental Rentals payable for the Equipment.

(z) The terms "Security" or "Securities" shall have the same meaning as in Section 2(1) of the Security Act of 1933, as amended.

(aa) The term "Subsidiary" of a corporation shall mean any other corporation of which such corporation owns more than 50% of the Voting Stock.

(bb) The term "Supplemental Rentals" shall mean all amounts, liabilities and obligations which the Lessee assumes or agrees to pay under the Lease including without limitation insurance payments, if any, and payments of Casualty Value, but excluding Fixed Rentals.

(cc) The term "Voting Stock" shall mean securities of any class or classes of a corporation the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors (or Persons performing similar functions).

8.02. Accounting Principles.

Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Security Agreement, this shall be done in accordance with generally accepted accounting principles at the time in effect, to the extent applicable,

except where such principles are inconsistent with the requirements of this Agreement.

8.03. Directly or Indirectly.

Where any provision of this Security Agreement refers to action to be taken by any Person or which such Person is prohibited from taking, such provisions shall be applicable whether such action is taken directly or indirectly by such Person.

8.04. Governing Law.

This Security Agreement and the Notes shall be governed by and construed in accordance with Illinois law.

SECTION 9. MISCELLANEOUS.

9.01. Successors and Assigns.

Whenever any of the parties hereto is referred to such reference shall be deemed to include the successors and assigns of such party; and all the covenants, premises and agreements in this Security Agreement contained by or on behalf of the Debtor or by or on behalf of the Security Trustee, shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

9.02. Partial Invalidity.

The unenforceability or invalidity of any provision or provisions of this Security Agreement shall not render any other provision or provisions herein contained unenforceable or invalid.

9.03. Communications.

All communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when delivered personally or when deposited in the United States mail, certified mail, postage prepaid, addressed as follows:

If to the Debtor:	No. 7 Rail Car Leasing Company
	P.O. Box 218
	Chicago Heights, Illinois 60411
	Attn: Vice President - Finance

If to the Security
Trustee:

Continental Illinois National Bank
and Trust Company of Chicago,
as Trustee
231 South LaSalle Street
Chicago, Illinois 60693
Attn: Corporate Trust Department

or to the Debtor or the Security Trustee at such other address as the Debtor or the Security Trustee may designate by notice duly given in accordance with this Section to the other parties. Communications to the holder of a Note shall be deemed to have been given (unless otherwise provided for by the specific provisions hereof in respect of any matter) when delivered personally or when deposited in the United States mail, certified mail, postage prepaid, addressed to such holder at its address set forth in the Register.

9.04. Release.

The Security Trustee shall release this Security Agreement and the security interest granted hereby by proper instrument or instruments upon presentation of satisfactory evidence that all Indebtedness Hereby Secured has been fully paid or discharged. When to the knowledge of the Security Trustee the Indebtedness Hereby Secured shall have been paid in full, it shall advise the Lessee that the assignment of the Lease as security hereunder is of no further force and effect.

9.05. Counterparts.

This Security Agreement may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one Security Agreement.

9.06. Headings and Table of Contents.

Any headings or captions preceding the text of the several sections hereof and the Table of Contents are intended solely for convenience of reference and shall not constitute a part of this Security Agreement nor shall they affect its meaning, construction or effect.

9.07. Effective Date.

This Security Agreement is dated as of the date designated in the initial paragraph hereof for convenience of identification and has been executed by the Debtor on the date shown in the acknowledgement attached hereto, but is delivered by the Debtor to the Security Trustee and becomes effective on the date of issuance of the Notes to the Lender.

IN WITNESS WHEREOF, the Debtor has caused this Security Agreement to be executed and the Security Trustee, in evidence of its acceptance of the trusts hereby created, has caused this Security Agreement to be executed on its behalf by one of its trust officers and its corporate seal to be hereunto affixed, and said seal and this Security Agreement to be attested by one of its Assistant Secretaries, all as of the day and year first above written.

NO. 7 RAIL CAR LEASING COMPANY

[CORPORATE SEAL]

By _____
Its Vice President

ATTEST:

Asst. Secretary

DEBTOR

CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO,
as Trustee

[CORPORATE SEAL]

By _____
Its Vice President

ATTEST:

_____
Trust Officer

SECURITY TRUSTEE

STATE OF ILLINOIS)
)SS
COUNTY OF COOK)

On this ____ day of _____, 1978, before me personally appeared Stanley D. Christianson and _____, to me personally known, who being by me duly sworn, say that they are, respectively, Vice President and _____ Secretary of NO. 7 RAIL CAR LEASING COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

[SEAL]

My Commission Expires:

STATE OF ILLINOIS)
)SS
COUNTY OF COOK)

On this 26th day of December, 1978, before me personally appeared M. J. Kruger and J. C. MULL, JR., to me personally known, who being by me duly sworn, say that they are, respectively, Vice President and Trust Officer of CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, as Trustee, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and they acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



Notary Public R. S. DONOVAN

[SEAL]

My Commission Expires:

April 26, 1980

DESCRIPTION OF EQUIPMENT

DESCRIPTION: 110 Four Thousand Cubic Foot
100-Ton Capacity Unit Train
Gondola Cars

MANUFACTURER: Thrall Car Manufacturing Company

IDENTIFICATION MARKS AND
NUMBERS (BOTH INCLUSIVE: NORX922 Through NORX1031, both
inclusive

SCHEDULE A
(to Security Agreement-Trust Deed)

NO. 7 RAIL CAR LEASING COMPANY

9-5/8% SECURED NOTE

No. R-

\$

, 19

FOR VALUE RECEIVED, the undersigned, NO. 7 RAIL CAR LEASING COMPANY, an Illinois corporation (the "Company"), promises to pay to

NEW ENGLAND MUTUAL LIFE INSURANCE COMPANY

or registered assigns, the principal amount of together with interest from the date hereof until maturity on the principal balance from time to time remaining unpaid hereon at the rate of nine and five-eighths per cent (9-5/8%) per annum (computed on the basis of a 360-day year of 12 consecutive 30-day months) in installments as follows:

(i) one installment of interest only for the period from and including the date hereof to, but not including, the earlier to occur of (x) the Delivery and Closing Date, or (y) the Cut-Off Date (as such terms are defined in the Security Agreement referred to below); and

(ii) 179 equal consecutive installments, including both principal and interest, each in the amount of \$ the first such installment to be paid one month following the installment of interest only referred to in clause (i) above and the remaining such installments to be payable at monthly intervals thereafter; and

EXHIBIT 1
(to Security Agreement-Trust Deed)

(iii) a final installment due and payable one month following the payment date of the final installment referred to in clause (ii) above in an amount equal to the entire balance of principal and interest remaining unpaid as of said date;

and to pay interest at the rate of ten and five-eighths per cent (10-5/8%) per annum on any overdue installment of principal and (to the extent legally enforceable) on any overdue installment of interest, from and after the maturity thereof, whether by acceleration or otherwise, until paid.

All payments of principal of and interest on this Note shall be made at the principal office of Continental Illinois National Bank and Trust Company of Chicago, 231 South LaSalle Street, Chicago, Illinois 60693, in coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts.

This Note is one of the Secured Notes (the "Notes") issued or to be issued pursuant to the Loan Agreement dated as of September 30, 1978 (the "Loan Agreement"), entered into by the Company with New England Mutual Life Insurance Company (the "Lender") and is equally and ratably with said other Notes secured by that certain Security Agreement-Trust Deed dated as of September 30, 1978 (the "Security Agreement") from the Company to Continental Illinois National Bank and Trust Company of Chicago, as Trustee (the "Security Trustee").

This Note and the holder hereof are entitled, equally and ratably with the holders of all other Notes, to all of the benefits and security provided for by or referred to in the Loan Agreements and the Security Agreement and all supplemental Security Agreements executed pursuant to the Loan Agreement and the Security Agreement, to which instruments reference is hereby made for a statement thereof, including a description of the collateral, the nature and extent of the security and the rights of the Security Trustee, the holder or holders of the Notes and the Company in respect thereof.

The terms and provisions of the Security Agreement and the rights and obligations of the Company and the rights of the holders of the Notes may be changed and modified to the extent permitted by and as provided in the Security Agreement.

This Note is registered on the books of the Security

Trustee and is transferable only by surrender thereof at the principal office of the Security Trustee duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of this Note or his attorney duly authorized in writing. Payment of or on account of principal, premium, if any, and interest on this Note shall be made only to or upon the order in writing of the registered holder.

This Note and any other Note outstanding under the Security Agreement may be declared due prior to its and their expressed maturity date all in the events, on the terms and in the manner provided for in the Security Agreement. Certain prepayments are required to be made hereon on the terms and in the manner provided for in the Security Agreement.

NO. 7 RAIL CAR LEASING COMPANY

By _____
Its Vice President

This is one of the Notes referred to in the within mentioned Security Agreement.

Dated:

CONTINENTAL ILLINOIS NATIONAL
BANK AND TRUST COMPANY OF
CHICAGO, as Trustee

By _____
Authorized Officer

THIS NOTE HAS NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAW OF ANY STATE, AND MAY BE OFFERED OR SOLD ONLY IF SO REGISTERED OR IF AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

EQUIPMENT LEASE

Dated as of September 30, 1978

between

**NO. 7 RAIL CAR LEASING COMPANY
as Lessor**

and

**NORTHERN INDIANA PUBLIC SERVICE COMPANY
as Lessee**

(110 Gondola Cars)

**EXHIBIT 1
(to Security Agreement-Trust Deed)**

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ATTACHMENTS TO EQUIPMENT LEASE:

SCHEDULE A - Description of Items of Equipment
SCHEDULE B - Certificate of Acceptance Under
Equipment Lease
SCHEDULE C - Warranty Agreement
SCHEDULE D - Schedule of Casualty Value

EQUIPMENT LEASE

THIS EQUIPMENT LEASE dated as of September 30, 1978 between NO. 7 RAIL CAR LEASING COMPANY, an Illinois corporation (the "Lessor") and NORTHERN INDIANA PUBLIC SERVICE COMPANY, an Indiana corporation (the "Lessee");

W I T N E S S E T H:

That for and in consideration of the premises and of the rental to be paid and the covenants hereinafter mentioned the parties hereby agree as follows:

SECTION 1. LEASE AND DELIVERY OF EQUIPMENT.

1.01. Lease.

The Lessor is purchasing from THRALL CAR MANUFACTURING COMPANY (the "Manufacturer") the items of railroad equipment (collectively the "Equipment" and individually an "Item" or "Item of Equipment") described in Schedule A attached hereto and made a part hereof, built in accordance with the specifications (the "Specifications") referred to in said Schedule A. Upon delivery of each Item of Equipment and the acceptance of such Item of Equipment as provided in Section 1.02 hereof, the Lessor shall lease and let such Item of Equipment to the Lessee and the Lessee shall hire such Item of Equipment from the Lessor for the rental and on and subject to the terms and conditions herein set forth.

1.02. Inspection and Acceptance.

The Lessor will cause each Item of Equipment to be tendered to the Lessee on the Term Lease Commencement Date referred to in Section 2.01 hereof at the place of delivery set forth in Schedule A. Upon such tender, the Lessee will cause an inspector designated and authorized by the Lessee to inspect the same, and, if such Item of Equipment is found to conform to the Specifications, to accept delivery of such Item of Equipment on said Term Lease Commencement Date and to execute and deliver to the Lessor a Certificate of Acceptance in the

form attached hereto as Schedule B (the "Certificate of Acceptance") with respect to such Items of Equipment.

1.03. Effect of Certificate of Acceptance.

The Lessee's execution and delivery to the Lessor of a Certificate of Acceptance with respect to each Item of Equipment shall conclusively establish, between Lessor and Lessee (but without prejudice to any rights either may have against the Manufacturer), that Lessee has inspected the Items of Equipment covered thereby, that each such Item of Equipment is acceptable to and accepted by the Lessee under this Lease, notwithstanding any defect with respect to design, manufacture, condition or in any other respect, and that such Item of Equipment is in good order and condition and conforms to the Specifications applicable thereto and to all applicable United States Department of Transportation and Interstate Commerce Commission requirements and specifications, if any, and to all standards recommended by the Association of American Railroads applicable to railroad equipment of the character of the Equipment. The execution and delivery of such Certificate of Acceptance by the Lessee shall constitute a representation by the Lessee that it has no knowledge of any such defect.

SECTION 2. RENTALS AND PAYMENT DATES.

2.01. Rentals for Equipment.

The Lessee agrees to pay the Lessor for each Item of Equipment leased hereunder one hundred eighty installments (180) of rental ("Fixed Rental") payable monthly in arrears in the amount set forth in Schedule A hereto, which installments shall be payable on the same day of each and every month following the date during the month of March, 1979 as the Lessor shall designate as the Delivery and Closing Date under its Loan Agreement dated as of September 30, 1978 with New England Mutual Life Insurance Company as the Closing Date thereunder (which date is hereinafter referred to as the "Term Lease Commencement Date"). For purposes of determining the rentals and Casualty Value payable under this Lease, the Lessor's Cost of an Item of Equipment shall be equal to the invoice price thereof certified as correct by the Lessee and the Lessor prior to the delivery and acceptance of such Item hereunder.

2.02. Place of Payment.

All payments provided for in this Lease to be made to the Lessor shall be made to the Lessor at Post Office Box 218, Chicago Heights, Illinois 60411, or to such other party or such other place as the Lessor or its assigns pursuant to Section 16 hereof shall specify in writing.

2.03. Net Lease.

This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent or reduction thereof, including, but not limited to, abatements or reductions due to any present or future claims of the Lessee against the Lessor under this Lease or otherwise or against any assignee of the Lessor pursuant to Section 16 hereof, nor except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or failure of title of the Lessor to the Equipment or any defect in or damage to or loss or destruction of all or any of the Equipment from any cause whatsoever, the taking or requisitioning of the Equipment by condemnation or otherwise, the lawful prohibition of the Lessee's use of the Equipment, the interference with such use by any governmental body, private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease, or lack of right, power or authority of the Lessor to enter into this Lease, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events unless the obligation to pay the same shall be terminated pursuant to Section 11 hereof, or until the Equipment is surrendered pursuant to Section 13 hereof.

SECTION 3. TERM OF THE LEASE.

The term of this Lease as to each Item of Equipment shall begin on the date of the delivery to and acceptance by the Lessee of such Item of Equipment and, subject to the provisions of Section 11 hereof, shall terminate on the date fifteen (15) years following the Term Lease Commencement Date.

SECTION 4. OWNERSHIP AND MARKING OF THE EQUIPMENT.

4.01. Retention of Title.

The Lessor, as between the Lessor and the Lessee, shall and hereby does retain full legal title to the Equipment notwithstanding the delivery thereof to and the possession and use thereof by the Lessee.

4.02. Duty to Number and Mark Equipment.

The Lessee will cause each Item of Equipment to be kept numbered with its car number as set forth in Schedule A hereto and will keep and maintain, plainly, distinctly, permanently and conspicuously marked by a plate or stencil printed in contrasting color upon each side of each Item of Equipment in letters not less than one inch in height as follows:

"Leased from No. 7 Rail Car Leasing
Company, as Lessor, and subject to
a Security Interest recorded with the
Interstate Commerce Commission"

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of the Lessor to such Item of Equipment, its rights under this Lease and the rights of any assignee under Section 16 hereof. The Lessee will not place any such Item of Equipment in operation or exercise any control or dominion over the same until the required legend shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced or destroyed. The Lessee will not change the car number of any Item of Equipment except with the consent of the Lessor and in accordance with a statement of new car numbers to be substituted therefor, which consent and statement previously shall have been filed with the Lessor by the Lessee and filed, recorded or deposited in all public offices where this Lease shall have been filed, recorded or deposited.

4.03. Prohibition Against Certain Designations.

Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on the Equipment as a designation that might be interpreted as a claim of ownership.

SECTION 5. DISCLAIMER OF WARRANTIES.

AS BETWEEN LESSOR AND LESSEE, THE LESSOR LEASES THE EQUIPMENT, AS-IS WITHOUT WARRANTY OR REPRESENTATION EITHER EXPRESS OR IMPLIED, AS TO (A) THE FITNESS OR MERCHANTABILITY OF ANY ITEM OR ITEMS OF EQUIPMENT INCLUDING WITHOUT LIMITATION THEIR VALUE, CONDITION, DESIGN OR OPERATION, (B) THE LESSOR'S TITLE THERETO, (C) THE LESSEE'S RIGHT TO THE QUIET ENJOYMENT THEREOF, OR (D) ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR AND THE LESSEE, ARE TO BE BORNE BY THE LESSEE. The Lessor hereby appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce, from time to time, in the name and for the account of the Lessor and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Lessor may have as owner of the Equipment against the Manufacturer pursuant to the Manufacturer's Warranty Agreement, a copy of which is attached hereto as Schedule C.

SECTION 6. LESSEE'S INDEMNITY.

6.01. Scope of Indemnity.

The Lessee shall defend, indemnify and save harmless the Lessor and its successors and assigns from and against:

(a) any and all loss or damage of or to the Equipment, usual wear and tear excepted, and

(b) any claim, cause of action, damages, liability, cost or expense (including, without limitation, counsel fees and costs in connection therewith) which may be incurred in any manner by or for the account of any of them (i) relating to the Equipment or any part thereof, including, without limitation, the design, construction, purchase, delivery, installation, ownership, leasing or return of the Equipment or as a result of the use,

maintenance, repair, replacement, operation or the condition thereof (whether defects are latent or discoverable by the Lessor or by the Lessee), (ii) by reason or as the result of any act or omission of the Lessee for itself or as agent or attorney-in-fact for the Lessor hereunder, (iii) as a result of claims for patent infringements, or (iv) as a result of claims for negligence or strict liability in tort.

6.02. Continuation of Indemnities and Assumptions.

The indemnities and assumptions of liability in this Section 6 contained shall continue in full force and effect notwithstanding the termination of this Lease, or the termination of the term hereof in respect of any one or more Items of Equipment, whether by expiration of time, by operation of law or otherwise; provided, however, that such indemnities and assumptions of liability shall not apply in respect of any matters referred to in subsection (a) or clause (i) or (ii) of subsection (b) of Section 6.01 hereof, occurring after the termination of this Lease, except for any such matters occurring after the termination arising in connection with the Lessee's assembling, delivering, or storing of the Equipment as provided in Section 13 or 15, as the case may be. The Lessee shall be entitled to control, and shall assume full responsibility for, the defense of such claim or liability.

SECTION 7. RULES, LAWS AND REGULATIONS.

The Lessee agrees to comply with all governmental laws, regulations, requirements and rules (including, without limitation, the rules of the United States Department of Transportation and the Interstate Commerce Commission) and the current Interchange Rules or supplements thereto of the Mechanical Division, Association of American Railroads, as the same may be in effect from time to time with respect to the use, maintenance and operation of each Item of Equipment subject to this Lease. In case any equipment or appliance should be required to be changed or replaced, or in case any additional equipment is required to be installed on such Item of Equipment in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such changes, additions and replacements at its own expense.

SECTION 8. USE AND MAINTENANCE OF EQUIPMENT.

The Lessee shall use the Equipment only in the United States of America and only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. The Lessee shall, at its own cost and expense, maintain and keep the Equipment in good order, condition and repair, ordinary wear and tear excepted, suitable for use in interchange. The Lessee shall not change, modify or alter any Item of Equipment nor make any additions or improvements to any Item of Equipment without the prior written authority and approval of the Lessor which shall not be unreasonably withheld; provided, that the Lessor in its sole discretion may refuse to approve any change, modification, alteration or installation in or to any Item of Equipment (i) which is prohibited by any governmental law, regulation, requirement or rule, (ii) which impairs the value of such Item or (iii) which impairs the use of such Item in the service for which the Item was originally designed. Any parts installed or replacements made by the Lessee upon any Item of Equipment shall be considered accessions to such Item of Equipment and title thereto shall be immediately vested in the Lessor, without cost or expense to the Lessor.

SECTION 9. LIENS ON THE EQUIPMENT.

The Lessee shall pay or satisfy and discharge any and all claims against, through or under the Lessee and its successors or assigns which, if unpaid, might constitute or become a lien or a charge upon the Equipment, and any liens or charges which may be levied against or imposed upon any Item of Equipment as a result of the failure of the Lessee to perform or observe any of its covenants or agreements under this Lease, but the Lessee shall not be required to pay or discharge any such claims so long as it shall, in good faith and by appropriate legal proceedings contest the validity thereof in any reasonable manner which will not affect or endanger the title and interest of the Lessor to the Equipment. The Lessee's obligation under this Section 9 shall survive the termination of this Lease.

SECTION 10. FILING, PAYMENT OF FEES AND TAXES.

10.01. Filing.

The Lessor will, at its sole expense, cause this Lease, and the first security agreement and/or assignment, if any, executed by the Lessor with respect to the Equipment or this Lease to be duly filed, recorded or deposited with the Interstate

Commerce Commission in accordance with Section 20c of the Interstate Commerce Act and in such other places within or without the United States as the Lessor or any assignee pursuant to Section 16 hereof determines is necessary or appropriate for the protection of its title or the security interest of the secured party under such security agreement and/or assignment. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will refile, re-register or re-record whenever required) any and all further instruments required by law or reasonably requested by the Lessor, for the purpose of protecting the Lessor's title to, or such secured party's security interest in, the Equipment to the satisfaction of the Lessor's or such secured party's counsel or for the purpose of carrying out the intention of this Lease, and in connection with any such action, will deliver to the Lessor proof of such filings and an opinion of the Lessee's counsel that such action has been properly taken. The Lessee will pay all costs, charges and expenses incident to any such filing, refiling, recording and re-recording or depositing and redepositing of any such instruments or incident to the taking of such action, except in the case of filings required by the first sentence of this Section 10.01.

10.02. Payment of Taxes.

All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, federal or foreign taxes (other than any United States federal or state income tax [and, to the extent that the Lessor receives credit therefor against its United States federal income tax liability, any foreign income tax] payable by the Lessor in consequence of the receipt of payments provided herein and other than the aggregate of all franchise taxes measured by net income based on such receipts, up to the amount of any such taxes which would be payable to the state and city in which the Lessor has its principal place of business without apportionment to any other state, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided), assessments or license fees and any charges, fines or penalties in connection therewith (hereinafter called "Impositions") hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof,

all of which Impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. The Lessee will also pay promptly all Impositions which may be imposed upon any Item of Equipment or for the use or operation thereof or upon the earnings arising therefrom or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such Item of Equipment free and clear of all Impositions which might in any way affect the title of the Lessor or result in a lien upon any such Item of Equipment; provided, however, that the Lessee shall be under no obligation to pay any Impositions so long as it is contesting in good faith and by appropriate legal proceedings such Impositions and the nonpayment thereof does not, in the advance opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder. If any Impositions shall have been charged or levied against the Lessor directly and paid by the Lessor, the Lessee shall reimburse the Lessor on presentation of invoice therefor. Prior to making such payment, the Lessor shall promptly notify the Lessee of the Impositions charged or levied, and the Lessee shall have the opportunity to contest in good faith and by appropriate legal proceedings such Impositions, at its sole expense.

In the event any reports with respect to Impositions are required to be made on the basis of individual Items of Equipment, the Lessee will either make such reports in such manner as to show the interests of the Lessor and any Assignee in such Items of Equipment or notify the Lessor and such assignee of such requirement and make such reports in such manner as shall be satisfactory to the Lessor and such assignee.

In the event that, during the continuance of this Lease, any Imposition accrues or becomes payable or is levied or assessed (or is attributable to the period of time during which this Lease is in existence) which the Lessee is or will be obligated to pay or reimburse, pursuant to this Section 10.02, such liability shall continue, notwithstanding the expiration of this Lease, until all such Impositions are paid or reimbursed by the Lessee.

SECTION 11. INSURANCE: PAYMENT FOR CASUALTY OCCURRENCE.

11.01. Insurance.

Lessee agrees that it will at all times during the term of this Lease and at its own cost and expense keep each Item of Equipment insured against loss by fire, windstorm and explosion and with extended coverage and against such other risks as are customarily insured against by companies owning property of a similar character and engaged in a business similar to that engaged in by Lessee at not less than the full insurable value (actual replacement value less actual physical depreciation) thereof and in any event not less than the Casualty Value (as defined in Section 11.06 hereof) of such Item of Equipment as of the next following Fixed Rental payment date, and will maintain general public liability insurance with respect to the Equipment against damage because of bodily injury, including death, or damage to property of others, such insurance to afford protection to the limit of not less than \$25,000,000 in the aggregate in any one year. Any such insurance may have applicable thereto deductible provisions to no greater extent than in effect for insurance coverage for equipment similar to the Equipment owned by Lessee and may be carried under blanket policies maintained by Lessee so long as such policies otherwise comply with the provisions of this Section 11.01. All such insurance shall cover the interest of Lessor, Lessee and any assignees pursuant to Section 16 hereof in the Equipment or, as the case may be, shall protect Lessor and Lessee in respect of risks arising out of the condition, maintenance, use, ownership or operation of the Equipment and shall provide that losses, if any, in respect of the Equipment shall be payable to Lessee and Lessor as their respective interests may appear; provided, however, that upon receipt by Lessee of notice of the assignment of this Lease and the rents and other sums payable hereunder, as provided in Section 16 hereof, Lessee shall cause the insurance on the Equipment to provide that the losses, if any, shall be payable (except as provided below) to the assignee specified in such notice (referred to in this Section 11 as the "Secured Assignee") under a standard mortgage loss payable clause satisfactory to Lessor and the Secured Assignee which shall provide that the insurer thereunder waives all rights of subrogation against Lessor, Lessee and the Secured Assignee, that thirty days' prior written notice of cancellation shall be given to the Secured Assignee and that such insurance as to the interest of the Secured Assignee therein shall not be invalidated by any act or neglect of Lessor or Lessee or by any foreclosure or other remedial proceedings or notices thereof

relating to the Equipment or any interest therein nor by any change in the title or ownership of the Equipment or any interest therein or with respect thereto, or by the use or operation of the Equipment for purposes more hazardous or in a manner more hazardous than is permitted by such policy. No such policy shall contain a provision relieving the insurer thereunder of liability for any loss by reason of the existence of other policies of insurance covering the Equipment against the peril involved, whether collectible or not. The loss, if any, under any policy covering the Equipment shall be adjusted with the insurance companies by Lessee, subject to the approval of Lessor and the Secured Assignee if the loss exceeds \$75,000. The loss so adjusted shall be paid to the Secured Assignee, if any, pursuant to said loss payable clause unless said loss is \$75,000 or less, in which case said loss shall be paid directly to Lessee. All such policies shall provide that the loss, if any, thereunder shall be adjusted and paid as provided in this Lease. Lessee shall furnish Lessor and the Secured Assignee, if any, with certificates or other satisfactory evidence of maintenance of the insurance required hereunder and with respect to any renewal prior to the expiration date of the original policy or policies. All insurance provided for in this Section 11.01 shall be effected with insurance companies approved by Lessor and the Secured Assignee, which approval shall not be unreasonably withheld.

The proceeds of any insurance received by Lessor or the Secured Assignee on account of or for any loss or casualty in respect of any Item of Equipment shall be released to Lessee either (i) upon a written application signed by the President, any Vice President or the Treasurer of Lessee for the payment of, or to reimburse Lessee for the payment of, the cost of repairing, restoring or replacing the Item of Equipment which has been lost, damaged or destroyed (which application shall be accompanied by satisfactory evidence of such cost and of the completion of such repair, restoration or replacement), or (ii) if this Lease is terminated with respect to such Item of Equipment pursuant to Section 11.04 promptly upon payment by Lessee of the Casualty Value to such Secured Assignee; provided that, if Lessee is at the time of the application in default in the payment of any other liability of Lessee to Lessor hereunder, such proceeds shall be applied against such liability.

11.02. Duty of Lessee to Notify Lessor.

In the event that any Item of Equipment shall be or become lost, stolen, destroyed, or, in the opinion of the Lessee (as evidenced by a certificate from Lessee's officer charged with such matters and such other evidence as Lessor may reasonably require for verification), irreparably damaged during the term of this Lease, including any renewal term hereunder, or thereafter while the Item of Equipment is in the possession of the Lessee pursuant to Section 13 or 15 hereof, or shall be requisitioned or taken over by any governmental authority under the power of eminent domain or otherwise during the term of this Lease, including any renewal terms hereunder (any such occurrence, except for any requisition which by its terms is for a stated period which does not exceed the term of this Lease, being hereinafter called a "Casualty Occurrence"), the Lessee shall promptly and fully (after it has knowledge of such Casualty Occurrence) inform the Lessor and the Secured Assignee in regard thereto and shall pay the Casualty Value (as defined in Section 11.06 hereof) of such Item in accordance with the terms hereof.

11.03. Payment for Casualty Loss.

In the event of a Casualty Occurrence with respect to any Item of Equipment, the Lessee shall pay to the Lessor (i) a sum equal to the Casualty Value of such Item of Equipment as of the date of such payment, (ii) the Fixed Rental installment due on such payment date for such Item of Equipment, (iii) interest, if any, due on late payments of rent with respect to such Item of Equipment to the date of payment and (iv) all other unpaid amounts due hereunder solely with respect to such Item of Equipment. The payments required to be made by the Lessee pursuant to this Section 11.03 shall be made to the Lessor on the next succeeding Fixed Rental payment date unless such Casualty Occurrence occurs less than 15 days prior to the next succeeding Fixed Rental payment date, in which case such payments shall be made on either the next succeeding Fixed Rental payment date or the second succeeding Fixed Rental payment date after such Casualty Occurrence.

11.04. Rent Termination.

Upon (and not until) payment of the Casualty Value in respect of any Item or Items of Equipment, the obligation to pay rent for such Item or Items of Equipment accruing subsequent to the Casualty Value payment date shall terminate, but the Lessee shall continue to pay rent for all other Items

of Equipment.

11.05. Disposition of Equipment.

The Lessee shall, as agent for the Lessor, dispose of such Item or Items of Equipment having suffered a Casualty Occurrence as soon as it is able to do so for the fair market value thereof. Any such disposition shall be on an "as-is, where-is" basis without representation or warranty, express or implied. As to each separate Item of Equipment so disposed of the Lessee may retain all amounts arising from such disposition plus any insurance proceeds and damages received by the Lessee by reason of such Casualty Occurrence up to the Casualty Value attributable thereto and shall remit the excess, if any, to the Lessor. In disposing of such Item of Equipment, the Lessee shall take such action as the Lessor shall reasonably request to terminate any contingent liability which the Lessor might have arising after such disposition from or connected with such Item of Equipment.

11.06. Casualty Value.

The "Casualty Value" of each Item of Equipment shall be an amount determined as of the date the Casualty Value is paid as provided in this Section 11 (and not the date of the Casualty Occurrence) equal to that percentage (set forth in the Schedule of Casualty Value attached hereto as Schedule D opposite such date of payment) of the Lessor's Cost (as set forth in Schedule A hereto) of such Item of Equipment.

11.07. Risk of Loss.

The Lessee shall bear the risk of loss and, except as hereinabove in this Section 11 provided, shall not be released from its obligations hereunder in the event of any Casualty Occurrence to any Item of Equipment from and after the date hereof and continuing until payment of the Casualty Value and Fixed Rental installment due on and prior to the date of payment of such Casualty Value in respect of such Item of Equipment has been made, such Item or the salvage thereof has been disposed of by the Lessee and the title to such Item or the salvage thereof and all risk of loss and liabilities incident to ownership have been transferred to the purchaser of such Item or the salvage thereof.

11.08. Eminent Domain.

In the event that during the term of this Lease the use of any Item of Equipment is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for an indefinite period or for a stated period which does not exceed the term of this Lease, the Lessee's obligation to pay rent shall continue for the duration of such requisitioning or taking. The Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession to an amount equal to the rent paid or payable hereunder for such period, and the balance, if any, shall be payable to and retained by the Lessor as its sole property.

SECTION 12. REPORTS.

12.01. Financial Reports.

Lessee will furnish to Lessor and any assignee of the Lessor pursuant to Section 16 hereof (and, with respect to (i) below, to the Securities Valuation Office of the National Association of Insurance Commissioners, 67 Wall Street, New York, New York 10005) or to such other person as Lessor shall designate:

(i) as soon as available, but in no event more than ninety days after the close of each fiscal year of Lessee commencing with the year 1978, Lessee's complete annual financial report for the preceding fiscal year, all in reasonable detail, prepared and certified by independent certified public accountants of recognized national standing selected by Lessee;

(ii) as soon as available, but in no event more than forty-five (45) days after the close of each quarterly period for each fiscal year (other than the last quarterly period for such fiscal year) of the Lessee the balance sheet of the Lessee as at the end of such period and an income and retained earnings statement of the Lessee for the portion of such fiscal year ending with such period; and

(iii) such other reports and information as Lessor may reasonably require concerning the Equipment or the financial condition of Lessee, including, but not limited to, the status of the maintenance, use and condition of the Equipment and the compliance by Lessee with the terms and conditions of this Lease.

12.02. Duty of Lessee to Furnish.

On or before January 31 in each year throughout the term of this Lease, commencing with the year 1979, the Lessee will furnish to the Lessor and any assignee of the Lessor pursuant to Section 16 hereof an accurate statement, as of the preceding December 31 signed by a duly authorized officer of the Lessee (a) showing the amount, description and numbers of the Items of Equipment then leased hereunder, the amount, description and numbers of all Items of Equipment that may have suffered a Casualty Occurrence during the preceding 12 months (or since the date of this Lease, in the case of the first such statement), and such other information regarding the condition or repair of the Equipment as the Lessor may reasonably request, (b) stating that, in the case of all Equipment repainted during the period covered by such statement, the markings required by Section 4.02 hereof shall have been preserved or replaced and (c) stating that all Equipment is on the date of such certificate in operation and is in all respects maintained in accordance with the terms of said Lease, except for such Items of Equipment as are specifically excluded from such statement in said certificate.

12.03. Lessor's Inspection Rights.

The Lessor and any assignee of the Lessor pursuant to Section 16 hereof each shall have the right, at its sole cost and expense, by its authorized representative, to inspect the Equipment and the Lessee's records with respect thereto, at such times as shall be reasonably necessary to confirm to the Lessor or, as the case may be, such assignee, the existence and proper maintenance thereof during the continuance of this Lease. Lessee shall, whenever requested by the Lessor or any such assignee, promptly advise Lessor or such assignee of the exact location of the Equipment insofar as may be practicable.

SECTION 13. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM.

Upon the expiration of the term of this Lease with respect to any Item of Equipment, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Item of Equipment to the Lessor upon such storage tracks as the Lessor may designate in the state of Indiana or Illinois, or in the absence of such designation, as the Lessee may select having given 30 days' prior written notice to the Lessor or the Lessee will immediately upon the expiration of the term of the lease deliver each Item of Equipment to a connecting carrier for shipment, all as directed by the Lessor upon not less than 10 days' written notice to the Lessee. The assembling and delivery of each such Item is to be at the risk and expense of the Lessee. The assembling and delivery of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee to so assemble and deliver the Equipment.

SECTION 14. DEFAULT.

14.01. Events of Default.

Any of the following events shall constitute an Event of Default hereunder:

(a) The Lessee shall fail to make when due payment of any part of the rental or other sums provided in Section 2 or 11 hereof and the failure to make any such payment shall continue for more than five days [provided, however, that the Lessee shall be entitled to an additional five-day grace period with respect to any two Fixed Rental payments which become due during any "lease year" (which shall mean, for the purposes hereof, the 12-month period commencing with the Term Lease Commencement Date and each of the succeeding 12-month periods thereafter during the term of this lease)]; or

(b) The Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or of possession of the Equipment, or any portion thereof; or

(c) The Lessee shall fail to observe or perform any other of the covenants, conditions and agreements on the part of the Lessee contained herein and such failure shall continue for thirty days after written notice thereof has been given by the Lessor to the Lessee; or

(d) Any representation or warranty made by the Lessee herein or in any statement or certificate furnished to the Lessor or its assigns pursuant to or in connection with this Lease is untrue in any material respect as of the date of issuance or making thereof; or

(e) Default or the happening of any event shall occur under any evidence of indebtedness of the Lessee for borrowed money or under any indenture, agreement or similar instrument under which indebtedness of the Lessee for borrowed money may be issued and such default shall continue, in the case of any such indebtedness, beyond the period of grace, if any, allowed with respect thereto or, in the case of any such indenture, agreement or similar instrument, for a period of time sufficient to permit the acceleration of any indebtedness of the Lessee outstanding thereunder; or

(f) The Lessee shall become insolvent or bankrupt or admit in writing its inability to pay its debts as they mature or shall make an assignment for the benefit of its creditors; or

(g) Bankruptcy, reorganization, arrangement or insolvency proceedings or other proceedings for relief under any bankruptcy or similar law or laws for the relief of debtors shall be instituted by or against Lessee; or Lessee shall permit or there shall occur any involuntary transfer of its interest hereunder or of all or substantially all of Lessee's property by bankruptcy or by the appointment of a receiver or trustee or by execution or by any judicial or administrative decree or process or otherwise;

unless in every such case such proceedings (if instituted against the Lessee) shall be dismissed or such assignment, transfer, decree or process shall within 60 days from the filing or other effective date therein be nullified, stayed or otherwise rendered ineffective, or unless any such receiver or trustee shall within 60 days from the date of his appointment adopt and assume this Lease pursuant to due authority of law and of the court appointing him.

14.02. Remedies.

If any Event of Default has occurred and is continuing, the Lessor, at its option, may:

(a) Proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof; or

(b) By notice in writing to the Lessee, terminate this Lease, whereupon all right of the Lessee to the use of the Equipment shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon, the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Equipment may be located and take possession of all or any of such Equipment and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Equipment for any purpose whatever, but the Lessor, shall, nevertheless, have a right to recover from the Lessee any and all amounts which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee (i) as damages for loss of the bargain and not as a penalty, a sum, with respect to each Item of Equipment, which represents the excess of the present worth, at the time of such termination, of all rentals for such Item which would otherwise

have accrued hereunder from the date of such termination to the end of the term of this Lease over the then present worth of the then fair rental value of such Item for such period computed by discounting from the end of such term to the date of such termination rentals which the Lessor reasonably estimates to be obtainable for the use of such Item during such period, such present worth to be computed in each case on a basis of a 6% per annum discount, compounded monthly from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, and (ii) any damages and expenses, other than for a failure to pay rental, in addition thereto, including reasonable attorneys' fees, which the Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease other than for the payment of rental.

14.03. Cumulative Remedies.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims of any right to assert any offset against the rent payments due hereunder, and agrees to make the rent payments regardless of any offset or claim which may be asserted by the Lessee on its behalf in connection with the lease of the Equipment.

14.04. Lessor's Failure to Exercise Rights.

The failure of the Lessor to exercise the rights granted it hereunder upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

SECTION 15. RETURN OF EQUIPMENT UPON DEFAULT.

15.01. Lessee's Duty to Return.

If the Lessor or any assignee of the Lessor pursuant to Section 16 hereof shall terminate this Lease pursuant to Section 14 hereof, the Lessee shall forthwith deliver possession of the Equipment to the Lessor. For the purpose of delivering possession of any Item of Equipment to the Lessor as above required, the Lessee shall at its own cost, expense and risk (except as hereinafter stated):

(a) Forthwith assemble and place such Equipment on such storage tracks in the states of Indiana or Illinois as the Lessor may designate or, in the absence of such designation within a reasonable time, as the Lessee may select;

(b) Provide storage for such Equipment on such tracks for a period not exceeding 180 days after written notice has been given to the Lessor specifying the place of storage and the car numbers of the Items of Equipment so stored; and

(c) Deliver any Items of Equipment at any time within such 180 days' period, to any connecting carrier on tracks at any place within Indiana or Illinois for shipment, all as the Lessor may direct in writing.

15.02. Specific Performance.

The assembling, delivery, storage of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver and store the Equipment.

15.03. Lessor Appointed Lessee's Agent.

Without in any way limiting the obligations of the Lessee under the foregoing provisions of this Section 15, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Items of Equipment to the Lessor, to demand and take possession of such Item in the name and on behalf of the Lessee

from whomsoever shall be at the time in possession of such Item.

SECTION 16. ASSIGNMENTS BY LESSOR.

This Lease and all rent and other sums due and to become due hereunder may be assigned in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. Upon notice to the Lessee of any such assignment the rent and other sums payable by the Lessee which are the subject matter of the assignment shall be paid to or upon the written order of the assignee. No such assignee shall be bound by or obligated to perform or see to the performance of any duty, covenant or condition or warranty (express or implied) made by the Lessor or required to be observed or performed by the Lessor under any of the terms hereof, but on the contrary, the Lessee by its execution hereof, acknowledges and agrees that notwithstanding such assignment each and all of such covenants and agreements of the Lessor and all representations and warranties shall survive such assignment and shall be and remain the sole liability of the Lessor. Without limiting the foregoing, the Lessee further acknowledges and agrees that (i) the rights of any such assignee in and to the sums payable by the Lessee under any provisions of this Lease shall not be subject to any abatement whatsoever, and shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever whether by reason of failure of or defect in the Lessor's title, or any interruption from whatsoever cause (other than from a wrongful act of such assignee) in the use, operation or possession of the Equipment or any part thereof, or any damage to or loss or destruction of the Equipment or any part thereof, or by reason of any other indebtedness or liability, howsoever and whenever arising, of the Lessor to the Lessee or to any other person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that, except in the event of a wrongful act on the part of such assignee, the Lessee shall be unconditionally and absolutely obligated to pay such assignee all of the rents and other sums which are the subject matter of the assignment, and (ii) the assignee shall have the sole right to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of such assignee) which by the terms of this Lease are permitted or provided to be exercised by the Lessor.

SECTION 17. ASSIGNMENTS BY LESSEE: USE AND POSSESSION.

17.01. Lessee's Rights to the Equipment.

So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Lease, but, without the prior written consent of the Lessor, the Lessee shall not assign, transfer or encumber its leasehold interest under this Lease in any of the Equipment except pursuant to and in accordance with the provisions of Section 17.02 hereof. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Equipment, except to the extent permitted by the provisions of Section 17.02 hereof.

17.02. Use and Possession by Lessee.

So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to and shall have the exclusive use and possession of the Equipment. The Lessee agrees that the Equipment will be used exclusively within the continental United States. The Lessee agrees that it will not assign this Lease or any of its rights hereunder or sublease any Item of Equipment; provided, however, that nothing contained in this Lease shall be deemed to prevent use of any Item of Equipment by others exclusively in the continental United States in the usual interchange of traffic. Notwithstanding the foregoing sentence the Lessee may sublease the Equipment or any substantial part thereof in the event that the use of such Equipment, in the good faith judgment of the Lessee as determined by its Board of Directors, is no longer economical, provided that (i) no Event of Default under the Lease shall have occurred and be continuing and no event shall have occurred and be continuing which, with the lapse of time or the giving of notice, or both, would constitute an Event of Default under the Lease and (ii) the sublessee shall agree in writing to comply with all the terms and provisions of this Lease during the period of said sublease and to use such Equipment in the same manner and for the same purposes as the Lessee. No such permitted use or sublease shall relieve the Lessee of any of the obligations, liabilities or duties hereunder, which shall be and remain those of a principal and not a surety. The Lessee may receive and retain for its own account such compensation for the use or sublease of the Equipment by others as the Lessee may determine.

17.03. Merger, Consolidation or Acquisition of Lessee.

Nothing in this Section 17 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Equipment or possession of the Equipment to any corporation (which shall have duly assumed the obligations hereunder of the Lessee by written instrument delivered to the Lessor) into or with which the Lessee shall have become merged or consolidated or which shall have acquired all or substantially all of the property of the Lessee, provided that such assignees, successors or transferees will not, upon the effectiveness of such merger or consolidation or acquisition of properties, be in default under any provision of this Lease and that such merger or consolidation or acquisition of properties shall not alter in any way the Lessee's obligations to the Lessor hereunder which shall be and remain those of a principal and not a surety.

SECTION 18. CERTIFICATE OF OFFICERS OF LESSEE AND OPINION OF COUNSEL FOR LESSEE.

18.01. Lessee's Certificate.

Concurrently with the delivery and acceptance of the first Item of Equipment hereunder, and upon any assignment by the Lessor to any assignee pursuant to Section 16 hereof, the Lessee will deliver to the Lessor and/or any such assignee a certificate of a Vice President of the Lessee, addressed to the Lessor and/or any such assignee in scope and substance satisfactory to such parties, to the effect that:

(a) The Lessee is a corporation legally incorporated and validly existing, in good standing, under the laws of the State of Indiana;

(b) The Lessee has the corporate or other power and authority to own its property and carry on its business as now being conducted and is duly qualified to do business as a foreign corporation in all states in which such qualification is necessary to carry out the terms of the Lease;

(c) This Lease has been duly authorized, executed and delivered by the Lessee and constitutes the valid, legal and binding agreement of the Lessee enforceable in accordance with its terms except as limited by bankruptcy, insolvency or similar laws of general application affecting the enforcement of creditors' rights generally;

(d) No approval, consent or withholding of objection is required from any public regulatory body (including, without limitation, the Public Service Commission of Indiana) with respect to the entering into or performance by the Lessee of the Lease;

(e) The execution and delivery by the Lessee of the Lease does not violate any provision of any law, any order of any court or governmental agency, the Charter or By-laws of the Lessee, or any indenture, agreement, or other instrument to which the Lessee is a party or by which it, or any of its property is bound, and will not be in conflict with, result in the breach of, or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Lessee, except as contemplated and permitted hereby;

(f) Except as heretofore disclosed in writing to Lessor and its assignee pursuant to Section 16 of this Lease, if any, there is no action, suit or proceeding pending nor, to the knowledge of such officer, is there any basis for, or is any such action, suit or proceeding threatened against or affecting, the Lessee at law or in equity before any federal, state or local governmental authority or agency which, if adversely determined, would result in any material adverse change in the property or assets or in the condition, financial or otherwise, of the Lessee or would impair its ability to perform its obligations under this Lease; and

(g) As to any other matters which the Lessor shall reasonably request.

18.02. Opinions of Counsel.

At the commencement of the term of this Lease and upon any assignment by the Lessor to any assignee pursuant to Section 16 hereof, the Lessee will deliver to the Lessor the written opinion of Messrs. Eichhorn, Morrow and Eichhorn, counsel for the Lessee, addressed to the Lessor and/or to any such assignee under Section 16 hereof, in scope and substance satisfactory to the Lessor, covering the matters referred to in paragraphs (a) through (f), inclusive, of Section 18.01 and as to any other matters which the Lessor shall reasonably request.

SECTION 19. INTEREST ON OVERDUE RENTALS AND AMOUNTS PAID BY LESSOR.

Anything to the contrary herein contained notwithstanding, any nonpayment of rentals due hereunder, or amounts expended by the Lessor on behalf of the Lessee, shall result in the additional obligation on the part of the Lessee to pay also an amount equal to 12% per annum (or the lawful rate, whichever is less) on the overdue rentals and amounts expended for the period of time during which they are overdue or expended and not repaid.

SECTION 20. MISCELLANEOUS.

20.01. Limitations of Liability.

It is expressly understood and agreed by and between the parties hereto, anything herein to the contrary notwithstanding, that no liability or responsibility is assumed by nor shall at any time be asserted or enforceable against any incorporator or any past, present or future subscriber to the capital stock of, the Lessor, on account of this Lease or on account of any representation, covenant, undertaking or agreement of the Lessor in this Lease contained, either express or implied, all such liability, if any, being expressly waived and released by the Lessee herein and by all persons claiming by, through or under the Lessee; excepting, however, that the Lessee or any person claiming by, through or under it, making claim hereunder, may look to the Equipment for satisfaction

of the same subject to the rights of New England Mutual Life Insurance Company or its assignee under the Loan Agreement.

20.02. Notices.

Any notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States certified mails, first class, postage prepaid, addressed as follows:

If to the Lessor: NO. 7 RAIL CAR LEASING COMPANY
P.O. Box 218
Chicago Heights, Illinois 60411
Attention: Vice President - Finance

If to the Lessee: NORTHERN INDIANA PUBLIC SERVICE COMPANY
5265 Hohman Avenue
Hammond, Indiana 46320
Attention: Vice President - Gas Operations
and Fuel Procurement

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing.

20.03. Right of Lessor to Perform.

If the Lessee shall fail to comply with any of its covenants herein contained, the Lessor may, but shall not be obligated to, make advances to perform the same and to take all such action as in the Lessor's opinion may be necessary to obtain such performance. All payments so made by the Lessor and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred in connection therewith shall be payable by the Lessee to the Lessor upon demand as additional rent hereunder, with interest at the rate of 12% per annum.

20.04. Execution in Counterparts.

This Lease, and any lease supplemental hereto, may be executed in several counterparts, each of which so executed shall be deemed to be an original and in each case such counterparts shall constitute but one and the same instrument.

20.05. Law Governing.

This Lease shall be construed in accordance with the laws of the State of Indiana; provided, however, that the parties shall be entitled to all rights conferred by any applicable Federal statute, rule or regulation.

20.06. Headings and Table of Contents.

All Section headings and the Table of Contents are inserted for convenience only and shall not affect any construction or interpretation of this Lease.

20.07. Severability.

Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be as to such jurisdiction ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provisions in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed by their respective officers thereunder duly authorized and the corporate seals to be hereto affixed as of the day and year first above written.

NORTHERN INDIANA PUBLIC SERVICE
COMPANY

[CORPORATE SEAL]

ATTEST:

By _____
Vice President Lessee

Assistant Secretary

NO. 7 RAIL CAR LEASING COMPANY

[CORPORATE SEAL]

ATTEST:

By _____
Vice President Lessor

Assistant Secretary

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this _____ day of _____, 1978 before me personally appeared _____, to me personally known, who being by me duly sworn, says that he is a Vice President of No. 7 Rail Car Leasing Company, that one of the seals affixed to the foregoing is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

(SEAL)

My commission Expires:

STATE OF INDIANA)
) SS.
COUNTY OF)

On this _____ day of _____, 1978 before me personally appeared _____, to me personally known, who being by me duly sworn, says that he is a Vice President of Northern Indiana Public Service Company, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

(SEAL)

My Commission Expires:

SCHEDULE A
(EQUIPMENT LEASE DATED AS OF SEPTEMBER 30, 1978)

DESCRIPTION OF ITEMS OF EQUIPMENT

MANUFACTURER:	Thrall Car Manufacturing Company
PLANT OF MANUFACTURER:	Chicago Heights, Illinois
DESCRIPTION OF EQUIPMENT:	110 Four Thousand Cubic Foot 100-Ton Capacity Unit Train Gondola Cars
SPECIFICATIONS:	GN-100-46-203
CAR NUMBERS:	NORX992 through NORX1031, both inclusive
APPROXIMATE LESSOR'S COST PER ITEM OF EQUIPMENT:	\$ 35,000
DELIVER TO:	Northern Indiana Public Service Company
PLACE OF DELIVERY:	Gary, Indiana
ESTIMATED DELIVERY DATE:	March, 1979
OUTSIDE DELIVERY DATE:	March 31, 1979
FIXED RENTAL PAYMENTS:	An amount per month equal to 0.82264% of the Lessor's Cost of each Item of Equipment

SCHEDULE B
(Equipment Lease dated as of September 30, 1978)

CERTIFICATE OF ACCEPTANCE

TO: No. 7 Rail Car Leasing Company ("Vendee")
 Thrall Car Manufacturing Company ("Manufacturer")

I, a duly appointed inspector and authorized representative of NORTHERN INDIANA PUBLIC SERVICE COMPANY ("Lessee") and of the above named Vendee, do hereby certify that I have inspected, received, approved and accepted delivery on behalf of the Lessee and under the Equipment Lease dated as of September 30, 1978 between the Vendee and the Lessee, and on behalf of the Vendee under the purchase order between the Manufacturer and the Vendee, of the following Items of Equipment ("Equipment"):

TYPE OF EQUIPMENT: Four thousand cubic foot 100-ton
 capacity Unit Train Gondola Cars

MANUFACTURER: Thrall Car Manufacturing Company

PLACE ACCEPTED:

DATE ACCEPTED:

NUMBER OF ITEMS:

CAR NUMBERS:

I do further certify that the foregoing Equipment is in good order and condition and conforms to the Specifications applicable thereto, and at the time of delivery to the Lessee there was plainly, distinctly, permanently and conspicuously marked in contrasting colors upon each side of each Item of Equipment the following legend in letters not less than one inch in height:

"Leased from No. 7 Rail Car Leasing Company,
as Lessor, and subject to a security interest
recorded with the Interstate Commerce
Commission."

The execution of this Certificate will in no way relieve or decrease the responsibility of the Manufacturer of the Equipment for warranties it has made with respect to the Equipment.

Inspector and Authorized
Representative of Lessee
and Vendee

SCHEDULE C
(Equipment Lease Dated as of September 30, 1978)

WARRANTY AGREEMENT

THIS AGREEMENT dated as of September 30, 1978, between NO. 7 RAIL CAR LEASING COMPANY, an Illinois corporation ("Vendee"), and THRALL CAR MANUFACTURING COMPANY, a Delaware corporation ("Vendor");

W I T N E S S E T H :

WHEREAS, the Vendee has agreed to purchase 110 units of railroad equipment described as 4,000 cubic foot 100-ton capacity unit train Gondola Cars built in accordance with specifications GN-100-46-203 and conform to all applicable United States Department of Transportation and Interstate Commerce Commission requirements and specifications; and

WHEREAS, the Vendee and Vendor desire to establish all warranties of every kind and nature, both express and implied within the confines of this document;

NOW, THEREFORE, in consideration of the premises, the Vendor and the Vendee agree that the warranty from the Vendor to the Vendee relating to the above described units of railroad equipment is as follows:

THE VENDOR GUARANTEES TO BUILD THE ABOVE DESCRIBED UNITS OF RAILROAD EQUIPMENT IN ACCORDANCE WITH THE SPECIFICATIONS ABOVE NAMED AND (EXCEPT AS TO ITEMS SPECIFIED BY VENDEE AND NOT MANUFACTURED BY VENDOR) THAT THOSE UNITS OF RAILROAD EQUIPMENT WILL BE FREE FROM DEFECT IN MATERIAL AND WORKMANSHIP UNDER NORMAL USE AND SERVICE.

VENDOR'S OBLIGATIONS UNDER THIS WARRANTY SHALL BE LIMITED TO MAKING GOOD AT ITS PLANTS ANY PART OR PARTS OF ANY UNITS OF RAILROAD EQUIPMENT WHICH SHALL WITHIN ONE YEAR AFTER DELIVERY OF ANY SUCH UNITS OF RAILROAD EQUIPMENT BE RETURNED TO THE VENDOR WITH TRANSPORTATION CHARGES PREPAID, AND WHICH THE VENDOR'S EXAMINATION SHALL DISCLOSE TO ITS SATISFACTION TO HAVE BEEN THUS DEFECTIVE.

THIS WARRANTY IS EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES EXPRESSED OR IMPLIED, AND OF ALL OTHER OBLIGATIONS OR LIABILITIES ON THE PART OF THE VENDOR.

The parties hereto agree that the above specified warranty may be asserted and enforced, from time to time, by NORTHERN INDIANA PUBLIC SERVICE COMPANY against the Vendor pursuant to an equipment lease relating to subject units of railroad equipment wherein the Vendee is Lessor and NORTHERN INDIANA PUBLIC SERVICE COMPANY is Lessee.

IN WITNESS WHEREOF, the parties hereto have affixed their hands and seals on the date first above written.

ATTEST:

THRALL CAR MANUFACTURING COMPANY,
a Delaware corporation
By: _____
Vice-President

Assistant Secretary

(CORPORATE SEAL)

NO. 7 RAIL CAR LEASING COMPANY,
an Illinois corporation

ATTEST:

By: _____
Vice-President

Assistant Secretary

(CORPORATE SEAL)

SCHEDULE D
(Equipment Lease Dated as of September 30, 1978)

SCHEDULE OF CASUALTY VALUE

The Casualty Value of an Item of Equipment payable on any rental payment date shall mean an amount equal to the per cent of the Lessor's Cost (as set forth in Schedule A of this Lease) of such Item set forth opposite such Rental Payment Date in the following schedule:

<u>INTERIM RENTAL OR FIXED RENTAL PAYMENT DATE ON WHICH CASUALTY VALUE IS PAID (PAYMENT IN ADDITION TO RENT PAYMENT)</u>	<u>PERCENTAGE OF LESSOR'S COST (AS SET FORTH ON SCHEDULE A OF THIS LEASE) PAYABLE AS CASUALTY VALUE</u>
Daily Interim Rental	100%
1 - 12	100%
13 - 24	100%
25 - 36	95%
37 - 48	90%
49 - 60	85%
61 - 72	80%
73 - 84	75%
85 - 96	70%
97 - 108	65%
109 - 120	55%
121 - 132	50%
133 - 144	40%
145 - 156	30%
157 - 168	20%
169 - 180	20%